

THE
Royal Commission
ON
Indian Expenditure.

EVIDENCE-IN-CHIEF
THE FIVE INDIAN WITNESSES.



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NOTE.—The matter here printed as MR DADABHAI NAOROJI'S *Evidence* is his brief summary of the series of Memoranda which he submitted to the Royal Commission.

I.—EVIDENCE-IN-CHIEF

MR DADABHAI NAOROJI.

MARCH 25th, 1897.

*. 1 From my early days I have been associated with those who have been working for the social, political and material improvement of India, and was a Member of the various Reform Associations in Bombay sometimes as President and Secretary

Qualifications.

In 1851 I founded the *Rast Goftar*, a cheap weekly journal in Bombay of which I was proprietor and editor. After some years service in the Education Department I was in 1854 appointed Professor of Mathematics and Natural Philosophy in the Elphinstone College being the first Indian appointed to a Professor's Chair. In 1853 I was one of the founders of the Bombay Association and at the inauguration I declared my political creed of faith in the conscience and justice of the British people. In 1855 I and two other Parsi gentlemen opened the first Indian business firm in England in London and Liverpool, and I remained in business as a Merchant and Commission Agent till 1881.

5. I maintain that the administration of Indian expenditure is not conducted according to the principles thus laid down, and that the non fulfilment of these pledges has produced poverty and degradation, the inherent and essential defect of British administration being the financial, political and intellectual drain, which is inseparable from a remote foreign dominion exercised in disregard of the sound principles above stated

6 In my six statements I set forth the facts of India's poverty, as shown by the comparative production and consumption of each Province, by calculating the average production of India per head, by analysing the trade returns and by reference to the small amount of revenue obtained after exhausting all sources of taxation

7 I maintain that the impoverishment and degradation of British India has been caused by the compulsory employment of costly foreign official agencies and foreign capital (represented by the public debt, political and commercial) beyond the means of the taxpayer, resulting in a drain from British India, financial, political and intellectual—aggravated by heavy Imperial war expenditure beyond the frontier—and that indirectly the foreign dominion has caused a further drain by creating a practical monopoly in favour of foreign private capital, which reaps the advantage of British India's material resources

(B) *Apportionment
of charge*

8 My propositions are —

(1) That it is the desire of the British people that British rule should be one of justice and righteousness for the benefit of both India and Britain and not for the benefit of Britain only to the detriment of India, and that the financial relations in apportionment of charge should be as those between two partners and not as those between master and slave

(2) That upon this equitable basis the apportionment of expenditure in which Britain and India are jointly interested should be according to extent of the interest and according to capacity to pay

(3) That the creation and maintenance of British Imperial supremacy in India is a British interest of the first magnitude, yet, with a few exceptions, India has been unjustly charged with the whole cost of creating and maintaining the British Imperial Supremacy without Britain paying any portion, and without India being allowed to share in the advantages connected with that supremacy

(4) That law and order are beneficial to India, but they are also a British interest, as a condition essential to the very existence and prosperity of British rule

(5) That, assuming as it is said that India should bear all those charges for internal and external protection which she would have to bear if British rule did not exist, she should not bear the special cost of European Agency so far as used solely to maintain British Supremacy. And, moreover, that if British rule did not exist every one employed will be an Indian and not an European

(6) That as a practical arrangement Britain should pay for all British employed in Britain, that India should pay for all Indians employed in India, and that, as regards British employed in India, and Indians employed in Britain, there should be an equitable apportionment according to respective benefit and capacity to pay. To put it still more moderately, the payments to Europeans in both countries may be divided half and half between Britain and India

(7) That in the Army, Navy and Civil Service public employment, with its advantages and emoluments, should be proportioned to the charge, and in considering this point it should be borne in mind that in India Government employment monopolises in great part the sphere of private enterprise and the open professions as practised in Britain

9. Since putting in my statements I have obtained further figures showing the amounts spent from Indian revenues upon military operations beyond the frontiers of India. Colonel H B Hanna, in his book No 3, "Backwards or Forwards," gives at page 40 a table, and makes the total about Rs 714,500,000, out of which the British Exchequer paid about £5 000 000 towards the expenses of the Afghan War. Besides this amount he points out several omissions. I may put in this table, with his remarks thereon, in Chap III.

10. The principle I approve is that which was declared by the Duke of Devonshire, who said, "If the country is to be better governed than can only be done by the employment of the best and most intelligent of the Natives in its 'Service', and, as pointed out by Sir W W Hunter, "If we are to govern the people of India efficiently and cheaply we must govern them by means of themselves, and pay for the administration at the market rates of native labour." An administration conducted on these principles will stop the material, political and intellectual drain from India.

11. In the case of the Mysore State this method was adopted by Lord Salisbury and Iddesleigh, "as a guarantee for the good government of the people, and for the security of British rights and interests." This experiment, though disapproved by the Anglo Indian authorities, was loyally and effectively carried out by them, and proved a brilliant success, resulting in a contented people, a full Treasury, moral and material progress, and attachment to British Supremacy. It is a brilliant episode in British Indian History.

12. Similarly British India will be prosperous and contented if the same principles are followed, local administration being entrusted to competent native officials, under European control, co operating with representative assemblies.

13. I gladly recognise the benefits of British rule, especially as regards law and order, education, and freedom of the Press and public meeting, but I believe that British power and influence are much weakened by the refusal to administer expenditure in a way so as to give the people justice, and a voice in their own affairs, by the consequent "extreme poverty" of the masses, and by the non fulfilment of the solemn pledges, given by Parliament and the Crown of equal opportunity in the public service to all subjects of Her Majesty, and I sincerely desire to see British rule strengthened on the lines most beneficial to the people, both of India and of Britain.

14. I desire to put in my correspondence with the War Office, the Admiralty, and the Civil Service Commissioners. In this I claim that neither the War Office nor the Admiralty had any authority or power to exclude Indians from the commissioned ranks.

15. Before I develop and illustrate the views which I have put forward in some facts and practical figures which the Commission can take into consideration, you will allow me to say, first, as to what I consider the best thing to be done so that the administration of the expenditure of the revenues of India may be made to the best possible advantage both to England and India. I agree with Lord Salisbury when he says, "the general concurrence of opinion of those who know India best, is that a number of well governed small Native States are in the highest degree advantageous to the development of the political and moral condition of the people of India." And Lord Iddesleigh similarly said "Our Indian policy should be founded on a broad basis. There might be difficulties but what we had to aim at was to establish a system of Native States, which might maintain themselves in a satisfactory relation." Again, "We should endeavour, as far as possible, to develop the system of Native Government, to bring out Native talent and statesmanship, and to enlist in the cause of government all that was great and good in them."

16. Entertaining these ideas, Lord Iddesleigh practically carried them out in restoring Mysore on the distinct basis that "at once offered a guarantee for the good government of the people and for the security of British rights and interests," as I have already stated in a previous paragraph.

17. The obvious conclusion is that the only natural and satisfactory relations between an alien supremacy and the people of India can be established on this basis alone. There are these obvious advantages in these relations —

18. The British supremacy becomes perfectly secure and founded upon the gratitude and affection of the people, who, though under such supremacy, would feel as being under their own rulers, and as being guided and protected by a mighty supreme power.

(C) *Practical Remedies.*

19 Every State thus formed, from the very nature of its desire for self preservation, will cling to the supreme power as its best security against disturbance by any other State.

20 The division in a number of States becomes a natural and potent power for good in favour of the stability of the British supremacy. There will be no temptation to any one State to discard that supremacy while, on the other hand, the supreme Government, having complete control and power over the whole government of each State, will leave no chance for any to go astray. Every instinct of self interest and self preservation of gratitude of high aspirations and of all the best parts of human nature will naturally be on the side and in favour of British supremacy which gave birth to these States. There will be an emulation among them to vie with each other in governing in the best way possible under the eye and control of the supreme Government on their actions leaving no chance for misgovernment. Each will desire to produce the best Administration Report every year. In short this natural system has all the elements of consolidation of British power, of loyalty, and stability and of prosperity of both countries.

*The Example of
Mysore*

21 The result of this arrangement in the case of Mysore has been most satisfactory from all sides. For the result in Mysore, I give a short statement from the Mysore Report of 1st October, 1895.

22 Of the work of the late Maharaja from 1881 till his death at the end of 1894, it would be enough for me to give a very brief statement from the late address of the Dewan to the Representative Assembly held at Mysore on 1st October 1895 on the results of the late Maharaja's administration during nearly fourteen years of his reign as nearly as possible in the Dewan's words. The Maharaja was invested with power on 25th March, 1881. Just previous to it the State had encountered a most disastrous famine, by which a fifth of the population had been swept away, and the State had run into a debt of 80 lakhs of rupees to the British Government. The cash balance had become reduced to a figure insufficient for the ordinary requirements of the Administration. Every source of revenue was at its lowest, and the severe retrenchments which followed had left every department of State in an enfeebled condition. Such was the beginning. It began with liabilities exceeding the assets by 30½ lakhs and with an annual income less than the annual expenditure by 1½ lakhs. Comparing 1880-1 with 1894-5, the annual revenue rose from 103 to 180½ lakhs or 75-24 per cent, and after spending on a large and liberal scale on all works and purposes of public utility, the nett assets amounted to over 176 lakhs in 1894-5 in lieu of the nett liability of 30½ lakhs with which His Highness's reign began in 1881.

	Rs
In 1881 the balance of State Funds was	24 07 438
Capital outlay on State Railways	25 19 198
Against a liability to the British Government of	80 00 000
Leaving a balance of liability of Rs 30½ lakhs on 30th June, 1895	

ASSETS—

(1) Balance of State Funds	1 27 23 615
(2) Investment on account of Railway Loan Repayment Fund	27 81 500
(3) Capital outlay on Mysore Harihar Railways	1 48,03 306
(4) Capital outlay on other Railways	41 33 390
(5) Unexpended portion of Capital borrowed for Mysore Harihar Railway (with British Government)	15,79 495
	<hr/> 3 60 21 306

LIABILITIES—

(1) Local Railway Loan	Rs. 20 00 000
(2) English Railway Loan	1,63 82 801
	<hr/> 1,83 82 801

Net Assets

1,76 38 505

ADD OTHER ASSETS—

Capital Outlay on Original Irrigation Works

99 08 935

23 Besides the above expenditure from current revenue, there is the subsidy to the British Government of about Rs 25,00,000 a year, or a total of about Rs 3,70,00,000 in the fifteen years from 1880-1 to 1894-5, and the Maharaja's civil list of about Rs 1,80,00,000, during the fifteen years also paid from the current revenue. And all this together with increase in expenditure in every department. Under the circumstances above described, the administration at the start of His Highness's reign was necessarily very highly centralised. The Dewan, or the Executive Administrative Head, had the direct control, without the intervention of Departmental Heads of all the principal departments, such as the Land Revenue, Forests, Excise, Mining, Police, Education, Mujroyi, Legislative. As the finances improved and as Department after Department was put into good working order, and showed signs of expansion, separate Heads of Departments were appointed, for Forests and Police in 1885, for Excise in 1889, for Mujroyi in 1891, and for Mining in 1894. His Highness was able to resolve upon the appointment of a separate Land Revenue Commissioner only in the latter part of 1894. Improvements were made in other Departments, Local and Municipal Funds, Legislation, Education, &c. There are no walls which unfortunately, the Finance Ministers of British India are obliged to raise year after year, of fall in Exchange over burdening taxation, &c. &c.

24 And all the above good results are side by side with an increase of population of 18.34 per cent in the ten years from 1881 to 1891, and there is reason to believe that during the last four years the rate of increase was even higher. During the fourteen years the rate of mortality is estimated to have declined 6.7 per mille.

25 But there is still the most important and satisfactory feature to come viz. that all this financial prosperity was secured not by resort to new taxation in any form or shape. In the very nature of things the present system of administration and management of Indian expenditure in British India cannot ever produce such results, even though a Gladstone undertook the work. Such is the result of good administration in a Native State at the very beginning. What splendid prospect is in store for the future, if as heretofore, it is allowed to develop itself to the level of the British system with its own Native Services and not bled as poor British India is.

No New Taxation

26 On the latest report of Mysore, I give a short extract of the comments in the *Times* of 8.12.96 —

As the *Times* of 8th December last, in its article on 'Indian Affairs,' confirms by actual facts and events, the wisdom and statesmanship of Lords Salisbury and Iddesleigh in their one great work of righteous and wise policy. I desire to quote a few words. Fortunately, it is the very Mysore State to which this righteous and wise act was done. The *Times* says —

27 'The account which Sir Sheshadri Iyer rendered to it of his last year's stewardship is one of increasing revenue, reduced taxation, expenditure firmly kept in hand, reproductive public works and a large expansion of cultivation, of mining and of industrial undertakings. The result is a surplus, which goes to swell the previous accumulations from the same source.

28 The *Times*' article concludes with the words —

'A narrative such as Sir Sheshadri Iyer was able to give to the Representative Assembly of Mysore makes us realise the growth of capital in the Native States, and opens up new prospects of industrial undertakings and railway construction in India on a silver basis.

29 I have got this latest report—if the Commission would allow me to put in a statement out of it, like the one I have already given. I have cited other illustrations of Native States in my statements.

30 Now, leaving this most important and best remedy for the consideration of the Commission and the Government, I would take things as they are at present arranged and give the practical figures —

Facts and Figures

Here is Return 192 of 1892 of "East India Salaries" —

EUROPEANS—THE CIVIL DEPARTMENT

The amount of Annual Salaries Rs 1,000 and upwards is

Rs 3,87,49,216

Public Works Department (Civil)	90,98,144
Absentee allowances, Civil Department	17,56,772
Public Works Department (Civil)	4,47,340
Pensions paid in India—Civil (Europeans and Eurasians)	9,73,230
Public Works Department, Civil (Europeans and Eurasians)	2,38,719

Total in India

5,12,63,421

31 In England the amount for Civil and Military are not separate—which I may request to be supplied

32 Now, what I urge is that the European Civil Service is distinctly alleged to be employed mainly for the maintenance of the British rule For a practical purpose, at present, I grant that the Service is for the benefit of India also, as for the maintenance of the British rule and, further, I do not press for the very weak capacity of India I say the least that Britain can do in justice to India is to pay half of the salaries, &c., of the Europeans in the Civil Department

33 The next figure I want to put is the expenditure on the European Army in India, and pensions and other disbursements in England

ARMY EUROPEANS

	Rs
For the Military Department—Annual Salaries	3 78 18 448
Public Works (Military)	17,10,757
Absentee Allowance (Military)	23 49 000
Public Works (Military)	70 892
Pensions paid in India Pensions under Civil Regulation (Europeans and Eurasians)	88 392
Pensions under Army and Marine Regulations (Europeans and Eurasians)	10 16 976
Total—India	Rs 4 30,54 465

PAID IN ENGLAND

34 The amounts, Civil and Army together, are £3 710 678 (including contributed) say at Rs 15 per £, Rs 55,660 170 Grand total about Rs 158,000,000, to which is to be added the payments of European soldiers

35 What I urge is that the British Army is mainly for the maintenance of British rule against internal or external troubles But for present practical purposes I accept that the Army is for the benefit of India also, as for that of Britain, and I urge, therefore, that, leaving alone even the poverty of India, Britain in fairness to India should share the expenditure say half and half, for what is a common purpose of equally vital importance to both

36 The Government of India correctly puts the position— Millions of money have been spent on increasing the Army in India, on armaments and fortifications to provide for the security of India, not against domestic enemies or to prevent the incursions of the warlike peoples of the adjoining countries, but to maintain the supremacy of British power in the East

37 With regard to the Navy, it is of absolute necessity to England, whether there was rule in India or not

38 With regard to the absolute necessity to the United Kingdom itself for its own safety, of the whole Navy as it exists and is intended to be increased there is but one universal opinion without any distinction of parties It will be easy to quote expressions from every prominent politician It is in fact, the great subject of the day for which there is perfect unanimity I would content myself, however, with a few words of the highest authority in the realm under the Sovereign, the Prime Minister, and also of the Chancellor of the Exchequer Lord Salisbury said in his Brighton speech —

‘But dealing with such money as you possess that the first claim is the naval defence of England I am glad that you welcome that sentiment It is our business to be quite sure of the safety of this island home of ours whose inaccessibility is the source of our greatness, that no improvement of foreign fleets and no combination of foreign alliances should be able for a moment to threaten our safety at home We must make ourselves safe at sea, whatever happens

But, after all, safety—safety from a foreign foe—comes first before every other earthly blessing, and we must take care in our responsibility to the many interests that depend upon us, in our responsibility to the generations that are to succeed us we must take care that no neglect of ours shall suffer that safety to be compromised’

Sir M Hicks Beach the Chancellor of the Exchequer, so late as 28th January last (the *Times*, 29 1 96) said emphatically, and in a fighting mood — ‘We must be prepared We must never lose the supremacy of the sea Other nations had not got

it, and could afford to do without it, but supremacy of the sea was vital to our very existence'

39 The Irish Financial Relations Report, at page 23, says —

"104 Sir Edward Hamilton has stated in his evidence that he did not believe that if Ireland ceased to exist Great Britain's expenditure on the Army and Navy could be reduced (Ans 8741 2) The enormous outlay on the Navy has become necessary in consequence of Great Britain's position as the first Commercial Power in the world, on account of her enormous trade with every part of the globe, and on account of the dependence of her inhabitants for subsistence on supplies from abroad, and on having a safe ocean communication'

40 Notwithstanding that such is the absolute necessity of England to have even more than its present Navy as a world wide power, I am willing to allow that a fair share should be paid by India, for the vessels that are kept in the Indian waters, and which have been under consideration by the Commission

41 The Indians are repeatedly told, and in this Commission several times, that Indians are partners in the British Empire, and must share the burdens of the Empire Then I propose a simple test For instance, supposing that the expenditure of the total Navy of the Empire is, say, £20 000 000, and as partners in the Empire you ask British India to pay £10 000 000, more or less, British India, as partner, would be ready to pay, and, therefore, as partner must have her share in the employment of British Indians and in every other benefit of the service to the extent of her contribution Take the Army Suppose the expenditure of the total Army of the Empire is say, £40 000 000 Now you may ask £20,000,000 or more or less to be contributed by British India Then, as partners, India must claim and must have, every employment and benefit of that service to the extent of her contributions. If, on the other hand, you force the helpless and voiceless British India to pay, but not to receive a return to the extent of the payment, then your treatment is the unrighteous treatment of the slave master over British India as a slave In short, if British India is to be treated as a partner in the Empire, it must follow that to whatever extent—be it a farthing or a hundred millions—British India contributes to the expense of any department, to that extent the British Indians must have a share in the services and benefits of that department—whether civil, military, naval or any other—then only will British India be the "integral part" of, or partner in, the Empire

42 The next practical figure I have to place before the Commission is this. According to the table of, and the comment on the expenditure on wars beyond the frontier from Colonel Hanna's book, this expenditure which is entirely Imperial for the maintenance of British rule against Russian invasion, is, say, roundly about Rs 800,000 000 or more, out of which £5,000 000 have been paid by England I am not at all discussing the policy of these wars All I simply say is that these frontier wars are avowedly for Imperial purposes—that both England and India must be considered as benefited by it, and the least that should be done in justice to India is to halve the expenditure, if not in the proportion of the capacity of India as compared with that of England

43 I have here the highest declarations of the Imperial character of these wars. If the Commission would allow I shall read them —

speeches of the Viceroy of India, the Prime Minister and the Secretary of State for Foreign Affairs upon the subject . . . In December, 1878, the noble earl (the Prime Minister) warned the peers that they must extend their range of vision, and told them that they were not to suppose that this was a war which simply concerned some small cantonments at Dakka and Jellalabad, but one undertaken to maintain the influence and character *not of India, but of England in Europe*

"Now were they going to make India pay the entire bill for maintaining the influence and character of England in Europe? . . . His lordship (the Marquis of Salisbury) treated the war as indissolubly connected with the Eastern question. Therefore it seemed to him (Mr Fawcett) that it was absolutely impossible for the Government, unless they were prepared to cast to the winds their declarations, to come down to the House and regard the war as an *Indian one* . . . All he desired was a declaration of principle and he would be perfectly satisfied if some one representing the Government would get up and say that they had always considered this war as an Imperial one, for the expenses of which England and India were jointly liable."

Afterwards Mr Fawcett said (p. 477)

"He was entirely satisfied with the assurance which had been given on the part of the Government that the House should have an opportunity of discussing the question before the Budget was introduced, and would therefore be left to withdraw his amendment."

paradox really surprising, and such as is rarely heard among us . . . (P. 932) In my opinion my hon friend the member for Hackney has made good his case . . . Still, I think it fair and right to say that, in my opinion, my hon friend the member for Hackney has completely made good his case. His case, as I understand it, has not received one shred of answer (P. 933) In the speech of the Prime Minister,

the speech of Lord Salisbury, and the speech of the Viceroy of India, and, I think my hon. friend said, in a speech by the Chancellor of the Exchequer, this Afghan war has been distinctively recognised as partaking of the character of an Imperial war.

. . . But I think not merely a small sum like that, but what my right hon friend the Chancellor of the Exchequer would call a solid and substantial sum, ought to be borne by this country, at the very least (P. 935) As regards the substance of the motion, I cordially embrace the doctrine of my hon friend the member for Hackney.

There is not a constituency in the country before which I would not be prepared to stand, if it were the poorest and most distressed in the land, if it were composed of a body of men to all of whom every addition of a farthing for taxes was a sensible burden, and before them I would be glad to stand and plead that, when we have made in India a war which our own Government have described as in part an Imperial war, we ought not for a moment to shrink from the responsibility of assuming at least a portion of the cost of that war, in correspondence with that declaration, instead of making use of the law and argument of force which is the only law and the only argument which we possess or apply to place the whole of this burden on the shoulders of the people of India.

The upshot of the whole was that England contributed £5,000,000 out of £21,000,000 spent on this war, when one would have naturally expected a "far more solid and substantial" sum from rich England, whose interest was double, both Imperial and European. But the extent of that contribution is not the present question with me. It is the principle that "the Indian frontier question is one indivisible part of a great Imperial question, mainly depending for its solution upon the general policy of Her Majesty's Government, and that, therefore, a fair apportionment must be made of all the charge or cost of all frontier wars, according to the extent of the interest and of the means of each country."

Coming down to later times, the action of Mr Gladstone on 27th April, 1885, to come to the House of Commons to ask for £11,000,000—and the House accepting his proposal—on the occasion of the Penjdeh incident, is again a most significant proof of the Imperial character of these frontier wars. He said (*Hansard*, vol. 297, p. 859)

"I have heard with great satisfaction the assurance of hon gentlemen opposite that they are disposed to forward in every way the grant of funds to us to be used as we best think for the maintenance of what I have, upon former occasions, described as a *Natural and Imperial policy*. Certainly, an adequate sense of our obligations to our Indian Empire has never yet been claimed by any party in this country as its exclusive inheritance. In my opinion he will be guilty of a moral offence and gross political folly who should endeavour to claim, on behalf of his own party, any superiority in that respect over those to whom he is habitually opposed. It is an Imperial policy, in which we are engaged."

50. If the test I have just proposed of dividing the whole Imperial Expenditure, and each deriving the benefit of the Services in proportion to the contribution, then the whole Army and Navy becomes altogether Imperial, and may be used in any part of the world at common additional expenditure.

Secondly. Apart from such Imperial partnership—whenever Indian forces are taken outside Indian limits—the expenses must be paid in full by the British Exchequer except when the interests are distinctly common, like that of the Frontier Wars, as a protection for both against Russian Invasion. In such case as I have already stated, expenses may be divided in some fair way, giving some consideration to the capacity of both.

On the other hand, in such wars as that of Abyssinia, and for the benefit of Egypt or the Cape Colony, no expenditure should be placed, ordinary or extraordinary, upon the Indian Revenues.

The only case which can come at all, outside of India, within the purview of common purposes like the N.W. Frontier Wars, is when the Suez Canal is actually threatened and has to be defended. Then, like common purpose, both India and Britain can make a fair share with some consideration for the poorer party. Aden should be considered as for Imperial purposes, and be divided in a similar way.

*The Employment
of Indian Army
outside India*

ture is put on a natural basis all examinations of details of Departmental expenditure, &c, will be only so much "palliating the symptoms" and will bring no permanent good and strength either to the Indian people or to the British Supremacy

However much you may change the rules, or system of work, as long as this evil lasts, as at present, there cannot be good or beneficial government of India. My statements fully prove this

As this Return (192 of 1892) on the salaries shows, there are about Rs 150 000,000 paid annually for salaries, &c, above Rs 1,000 per annum. Add to this all that is paid to the European soldiers, and in a rough way it can be said that about Rs 180 or 200 000 000 are paid to Europeans every year. I asked for the correct amount, but have not obtained it

Economically it is a loss to Indians, and more especially the portion that goes clean out of the country as savings and pensions and salaries paid in this country. I take an instance. Suppose a European servant draws a salary of Rs 1,000 a month. He uses a portion of this for all his wants, of living, comfort, &c, &c. All this consumption by him is at the deprivation of an Indian, who would and could under right and natural circumstances, occupy that position, and enjoy that provision. This is the first partial loss to India, as, at least, the services enjoyed by the European are rendered by Indians as they would have rendered to any Indian occupying the position. But whatever the European sends to England for his various wants, and whatever savings and pension he ultimately, on his retirement, carries away with him, is a complete drain out of the country, crippling her whole material condition and her capacity to meet all her wants—a dead loss of wealth, together with the loss of work and wisdom, i.e., the accumulated experience of his service. Besides, all State expenditure in this country is a dead loss to India.

This evil of bleeding must be removed from the present machinery of administration of expenditure, as I have said by treating India justly for common purposes, and by substituting native labour for foreign or European labour. The Rs 200 000 000 are not by themselves the only evil. They return in the shape of capital and drain away a great deal more.

The present machinery of foreign domination of Government is most destructive in every way. If England were subjected to such machinery, notwithstanding all its present great wealth, it will be, like India, impoverished before long. The one other necessity to improve the machinery is that the people themselves must have a voice in its conduct. Till the people themselves have a voice, it is simply an Oriental despotism, and India does not derive that blessing which it has a right to demand from Britain, of a constitutional government in place of a despotic government of the worst kind—"the heaviest of all yokes is the yoke of the stranger," as Macaulay has truly said.

The present machinery requires to be improved by the employment of native labour, by a fair share in the expenditure of all that is insisted as necessary of foreign element in the service, to maintain British rule, and to give to the Indians the true and the only important blessing of the British rule—the right of British citizenship of having a voice in its own expenditure thereby fulfilling all the solemn pledges and Acts of Parliament which the British people by every honour are bound to fulfil, and which have been so far dishonourably ignored and not fulfilled by the Executive Governments in both countries. I feel bound to repeat, that if the machinery of a number of Native States, as suggested by Lords Salisbury and Idlesleigh, be carried out, all the requirements of Britain's best interests and India's best interests will be fully realised and fulfilled.

I do sincerely hope that this Commission will see their way to an improvement of the present machinery in a way beneficial both to England and India.

54 I may add here, with my agreement, to what I have already quoted from Sir Wm Hunter. "But the good work thus commenced has assumed such dimensions under the Queen's Government of India that it can no longer be carried on or even supervised by imported labour from England, except at a cost which India cannot sustain." "forty years hereafter we should have had an Indian Ireland multiplied fifty fold on our hands. The condition of things in India compels the Government to enter on these problems. Their solution, and the constant demand for improvement in the general Executive, will require an increasing amount of administrative labour. India cannot afford to pay for that labour at the English rates, which are the highest in the world for official service. But she can afford to pay for it at her own native

rates, which are perhaps the lowest in the world for such employment ' " You cannot work with imported labour as cheaply as you can with native labour, and I regard the more extended employment of the natives not only as an act of justice, but as a financial necessity " " The appointment of a few natives annually to the Covenanted Civil Service will not solve the problem . . . If we are to govern the Indian people efficiently, and cheaply, we must govern them by means of themselves, and pay for the Administration at the market rates of native labour "

This, I say, is a fair statement of the principal imperfections and evils of the present machinery, and must be improved as suggested

55 This peculiar inherent evil or fundamental error in the present British Indian Administration and Management of Expenditure, and its consequences, have been foretold more than a hundred years ago by Sir John Shore (1787) " Whatever allowance we make for the increased industry of the subjects of the State, owing to the enhanced demand for the produce of it (supposing the demand to be enhanced), there is reason to conclude that the benefits are more than counterbalanced by evils inseparable from the system of a remote foreign dominion ' And it is significantly remarkable that the same inherent evil in the present system of Administration and Management of Expenditure, has been, after nearly a hundred years, confirmed by a Secretary of State for India Lord Randolph Churchill has said in a letter to the Treasury (1886) " The position of India in relation to taxation and the sources of public revenue is very peculiar, not merely from the habits of the people and their strong aversion to change, which is more specially exhibited to new forms of taxation, but likewise from the character of the Government, which is in the hands of foreigners, who hold all the principal Administrative offices, and form so large a part of the Army. The impatience of the new taxation which will have to be borne wholly as a consequence of the foreign rule imposed on the country, and virtually to meet additions to charges arising outside of the country would constitute a political danger, the real magnitude of which it is to be feared is not at all appreciated by persons who have no knowledge of or concern in the Government of India, but which those responsible for that Government have long regarded as of the most serious order ' "

Lord Salisbury, as Secretary of State for India, put the same inherent evil in this manner " The injury is exaggerated in the case of India, where so much of the revenue is exported without a direct equivalent And he indicates the character of the present system of the Administration and Management of Expenditure as being that " India must be bled " I need not say more upon this aspect of the inherent evil of the present system and machinery of expenditure

I give these opinions in these words as I agree with them, and as very significant as coming from high authority

Almost in words of prophecy Sir David Barbour and Lord Lansdowne uttered these words only four years ago on the present machinery of Government

Sir David Barbour said ' The financial position of the Government of India at the present moment is such as to give cause for apprehension ' " The prospects of the future are disheartening ' "

Lord Lansdowne, as Viceroy, said " We should be driven to lay before the Council so discouraging an account of our Finances, and to add the admission that, for the present, it is beyond our power to describe the means by which we can hope to extricate ourselves from the difficulties and embarrassments which surround us ' " My hon friend is, I am afraid, but too well justified in regarding our position with grave apprehension " ' We have to consider not so much the years which are past and gone as those which are immediately ahead of us, and if we look forward to these there can be no doubt that we have cause for serious alarm

And now within four years India is visited by the greatest and direst calamities, as was feared When will there be an end of these calamities?

Sir George Wingate says, with which I agree, with regard to the present system of expenditure " Taxes spent in the country from which they are raised are totally different in their effect from taxes raised in one country and spent in another In the former case the taxes collected from the population are again returned to the industrious classes . . . But the case is wholly different when the taxes are not spent in the country from which they are raised They constitute . . . an absolute loss and extinction of the whole amount withdrawn from the taxed country . . . might as well be thrown into the sea Such is the nature of the tribute we have so long exacted from India From this

are perfectly justified in the views about the inefficiency and insufficiency of the Government of India

And then I have got this table of comparison between the expenditure incurred here for the sake of efficiency and the expenditure we can only provide from very poor resources of India, which of course, must naturally be insufficient and inefficient in government

Statistical Abstract, 43rd Number, Ret C 8 209 1896]

UNITED KINGDOM, 1896

EXPENDITURE

Interest (excluded)	
Civil List and Civil Administration	21,251 357
Army	18 459 800
Navy (excluded)	
Charges for the collection of the Revenue	13 119 000
	<hr/>
	52 830 157
Total Expenditure for Administration and Protection (excluding the Navy and Interest) (say) £53 000 000	
For a population of 39 465 730 (say 40 000 000) or £1 6s 6d per head, (excluding the Navy and Interest)	
Take as an instance Public Education—	
U.K. 1896—£9 120 952 mostly for Primary Education for 40 000 000 or 4s 6d per head	
India 1894 5—Rs 1 511 223 (say Rs 1 500 000) (of this Government grant is Rs 910 972 and Local Rates Rs 571 008) for all kinds and grades of education for 230 000 000 or nearly six times the population of the United Kingdom—or 1 anna $\frac{1}{4}$ pie per head (1 04 or $1\frac{1}{4}$ annas per head)	

Ret C 8 238 1896]

BRITISH INDIA 1894 5

Rx

(Interest excluded)	
Post Office, Telegraph and Mint	2 466 175
Salaries and Expenses of Civil Departments	14 835 209
Miscellaneous Civil Charges	6 065 705
Famine Relief and Insurance	610 235
Buildings and Roads	5 352 801
Army Services	24 096 091
Special Defence Works	217 867
Provincial Expenditure defrayed from Provincial Balances	560 860
Direct Demands on Revenue	9 722 041
	<hr/>
	63 926 984
	<hr/>
Deduct Refunds	280,555
	<hr/>
Total Expenditure for Administration and Protection	63 646 429
Say Rs 640 000 000 (for nearly six times the population)	
Taking the population of 1891	221 172 952
Add 4 years 4 per cent	8 846 918
	<hr/>
	230 019 870
(Say 230 000 000 or Rs 2 $\frac{1}{4}$ per head)	

2.—EVIDENCE-IN-CHIEF OF MR. DINSHA EDULJI WACHA.

APRIL 5th and 8th, 1897.

I represent the Bombay Presidency Association, of which I am one of the Honorary Secretaries, since the date of its establishment in 1885, say twelve years. The Association is established for the advocacy and promotion of the public interests of India by all legitimate and constitutional methods, for the due fulfilment of which Rule 2 prescribes that it "shall, whenever necessary or expedient hold meetings which may be made open to the public for the discussion of public affairs prepare and submit memorials or petitions to the Provincial or Imperial Government, or the British Parliament in England, or other authorities for the removal and prevention of injurious measures, and the introduction of others which may be calculated to promote the general interests of this country, and otherwise to take such action as may be considered conducive to the accomplishments of the purposes in view."

Qualifications.

I am, besides being the Honorary Secretary of the Bombay Presidency Association, Honorary Joint General Secretary of the Indian National Congress, and a Member of the Bombay Municipal Corporation. I am also the Managing Agent of a large and flourishing cotton mill, and a Member of the Managing Committee of the Bombay Mill Owners' Association. For many years past I have employed my leisure hours in the study and discussion of public affairs specially on finance and economic subjects, and have regularly contributed to the local press many articles on these subjects. I have also taken, and am still taking, an active part in the many public movements in the city. At the Annual Meetings of the Indian National Congress I have made speeches on military expenditure from time to time, as well as on such topics as cotton duties, income tax, exchange compensation and so forth. Similarly I have taken active part as Secretary of the Bombay Provincial Conference which annually meets in some prominent town of the Presidency, and have addressed delegates at such on the expanded legislative council, on the way in which provincial budgets are discussed thereat and on other matters including the revenue from the drink traffic. On the latter question to which I have devoted close attention, I wrote a series of articles in the *Bombay Gazette* which I afterwards reprinted in pamphlet form copies of which were forwarded to the Bombay Government, the Government of India and the Secretary of State. In my honorary capacity as the Secretary of the Bombay branch of the Anglo Indian Temperance Association, I memorialised the Government, pointing out the evils of their excise system, and criticised, as Secretary of the Presidency Association, the Moola Bill which the entire Presidency condemned. I also issued a pamphlet on the burning question of agricultural distress, and the impoverished condition of the Indian peasantry, chiefly basing my criticism on the official facts embodied in the report of the condition of the people which was published on the eve of Lord Dufferin's departure. I have taken a leading part at meetings of the Bombay Mill owners, and have spoken on questions affecting cotton industry. Last year I contributed to the *Times of India* a series of letters on the growth of revenue and expenditure of the Bombay Municipality, and I have been continually contributing articles to the Press on Imperial and Provincial finance. I was elected

President of the Provincial Conference held at Belgaum in 1895, where I broadly surveyed in my inaugural address the financial condition of India. At the last Sittings of the Indian National Congress, held in December, 1896, the following resolution was passed —

"That this Congress desires to place on record its sense of satisfaction at the delegation by the Bombay Presidency Association of Mr. Dinshji Edulji Wacha, Joint General Secretary of the Congress, to give evidence before the Royal Commission on Expenditure, and the Congress has full confidence that Mr. Wacha will give accurate and adequate expression to its views on the questions which form the subject of enquiry."

Form of Evidence

Following the procedure adopted by the Commission, I have divided my evidence into three parts

I FINANCIAL MACHINERY.

1.—Financial Machinery.

It is, no doubt, highly essential for the economic administration of the Empire that its finances should be closely locked into and steadily watched, especially in India, where the people have no direct voice in checking or controlling it, and where, besides, they are governed by a foreign agency which, more or less, is not in touch with popular sentiments and popular wants and requirements. Again, bearing in mind that the people are poor on the whole, the progress of enhanced and new taxation needs serious consideration, as such taxation can only be compatible with their ability. As a matter of fact, for years past, at any rate since 1875, expenditure is growing at a rapid pace, and demands the strictest control and check. The Finance Minister may endeavour to do his best, but so long as the financial machinery is imperfect, and whenever he remains with insufficient support from the Viceroy and other colleagues in the Viceregal Council he cannot do much. He may endeavour to discharge his duty very much like 'a sort of watch dog on behalf of the taxpayers' (that is an expression of your Lordship) but so long as the voice of the taxpayers themselves is not heard for good in the Council, it is not possible to keep that right control which checks all extravagant or doubtful expenditure. At present a certain line of policy may be followed by a Viceroy or the Secretary of State which may entail on the taxpayers heavy permanent burdens. For instance, the so called "forward" policy steadily pursued since the days of the unrighteous second Afghan war (save during the beneficent administration of Lord Ripon) has been principally the cause of heavy military expenditure necessitating taxation. The expenditure since the date of the Penjdeh scare has been mounting higher and higher. Upper Burma was annexed to the Indian Empire, notwithstanding the fact that the Indian community generally protested against such annexation to India, and suggested its being made a Crown Colony like Ceylon. The First Indian National Congress, held in Bombay in December, 1885, protested against the annexation.

I agree generally with what Sir David Barbour and Sir Auckland Colvin have said regarding the weak spots in the financial machinery of the Government, and we Indians are thankful for their expression of opinion (Q 1854 to 1890, and 1899 to 2494). But what I beg to urge is this, that, however economic in his tendencies a Finance Minister may be, or even a Viceroy, so long as those who pay the taxes have no effective voice in the Councils of the Empire the control of expenditure within due limits, and with a regard to the capacity of the taxpayers, no financial retrenchment can be hoped for. For example, Indian public opinion believes that the present Finance Minister, Sir J. Westland, has not shown so much zeal in checking expenditure as his three immediate predecessors.

It is true that under the expanded legislative Councils, both Provincial and Imperial, there are a few non-official members who are indirectly elected as the representatives of the people. Their presence in the Council is most valuable. They are mostly leading public men who have devoted much attention to financial matters, and are in a position to represent the taxpayers' point of view, but, after all, their criticism cannot be considered effective so long as they are debarred from bringing motions for the curtailment of expenditure in a Budget and dividing the Council thereon. There is a consensus of opinion on the subject among Indians that this privilege should be

conceded, and is absolutely needed. The Congress has more than once passed resolutions on the matter, but, unfortunately, like many other resolutions of the Congress, which are regularly forwarded for consideration to the Imperial Government, they are unheeded.

What practical good such a privilege, if conceded to the popular representatives of the various legislative Councils, may do, may be judged from the exceedingly able way in which the Honourable Mr P. M. Mehta, President, Bombay Presidency Association, acquitted himself in the Viceregal Legislative Council two years ago. All India to a man was gratified at the criticism he brought to bear upon the finances, and the way in which he denounced the iniquitous exchange compensation allowance. But, of course, such criticism is distasteful to the official members, and when there is a Finance Minister like the present one he resents it, as he resented Mr P. M. Mehta's speech. It is felt that if leading Corporations at Bombay, Calcutta and Madras, and the various local and district boards, are allowed to discuss and vote their respective Budgets, there could be no reason for withholding the same privilege, which is still more needed, at Budgets in the Imperial and Provincial legislative Councils. The Bombay Municipal Corporation has been more than once praised by the Government of India and the State Secretary for its successful management of the civic finance. I, myself, as one of the representatives of the ratepayers, have brought forward motions from time to time for reduction of unnecessary expenditure or expenditure of doubtful utility. And on the whole the effect of such division has been of a wholesome character, and calculated to keep a good check and control over the spending departments.

It has, however, been alleged that such concession might sometimes defeat Government, which is not desirable. This allegation carries its own refutation. For, as a matter of fact, under the standing rules the Government has always an official majority, and if such a thing happens as the defeat of Government it shows that there must be an overwhelming case made out by the non official members to lead to such a division. My suggestion, therefore, under this head of financial machinery, is, that the rules should be so altered as to allow members to bring motions at Budget time and divide the Council thereon. We strongly advocate the proposal of Sir W. Wedderburn for the appointment each year of a Select Committee on East Indian accounts to report to the House of Commons regarding the financial position of India. Such a Select Committee would find in the amendment voted in the Legislative Councils valuable material for consideration. The non official members of Legislative Councils would then be stimulated to careful criticism on Indian finance.

It is also very desirable in connection with the Budget in the Viceregal Council that its members, as well as a few outside public bodies like Chambers of Commerce and recognised Associations, should be supplied with copies of the Civil and Military estimates, which contain details of the revenue and expenditure of each province, before the Budget is brought forward. At present they are not accessible to the members or to such bodies. The Civil Estimates are made available only a year after the Budget to which they refer has passed by, when all practical interest in them has died out. The Military Estimates, so far as my knowledge goes, are never made available. This is a great drawback. The public criticise the Budget in darkness. A great deal of ill informed or ignorant criticism would be avoided, while bodies like my Association would be in a better position to make suggestions or offer criticism if such copies were previously supplied. I may say that the Bombay Legislative Council does furnish such a detailed statement to members of its local Council, which greatly helps them to debate the Budget.

A word or two may also be said under this head on minor matters in connection with the Annual Financial Statement. Firstly, the revised estimates invariably exceed the Budget estimates, and the Accounts are generally better than the revised estimates. From the table I have prepared of Budget estimates, revised estimates and accounts for the last ten years, and which I beg to put in as appendix to my evidence, this will be clearly seen. It would seem to show that apart from Budget estimates even revised estimates are not yet so carefully prepared as they should be. Bearing in mind that these estimates are made a month or so before the accounts for a financial year are closed, I am of opinion that there should be no such striking variations between them and the actuals as are revealed in the table.

Secondly, as to exchange. This item can only be considered as an ordinary one, like any other item of expenditure. But much is made of its fluctuating character. It

is regarded—as Sir A. Colvin observed, in his contribution to the "Nineteenth Century" for October, 1894, on "Indian State Expenditure"—in the light of the lodging house cat "All surplus" that disappears, every estimate which is reduced to fragments, is due to this mischievous beast. No limits are assigned to its appetite, yet no provision is made for its voracity. My suggestion is that under present circumstances, at any rate till the time again arrives for a stable exchange, it would be better to take exchange at a fixed rate from year to year, say at 14 or 14½ pence per rupee in the Budget estimate. Should, at the end of the year, it be found that the actual amount incurred under it is less than the estimate, the difference to be credited to an account to be called "Exchange Equalisation or Reserve." In case at any other time the amount incurred is in excess of the estimate, the difference should be taken from this Reserve account. By adopting such a course a certain stability will be imparted to the finances, while it will prevent the Finance Minister from attributing this, that and the other increase to this *deus ex machina* of exchange.

Again, the present practice of at once disposing of the so-called "improvement" in exchange should be put a stop to. As Indian finances go there is a desire to utilise rather prematurely so called 'surplus,' owing to better exchange, though it may happen the very next year that exchange may be worse, leading either to economies here and there, or encroachments on provincial balances, or fresh taxation. This cannot be considered sound finance. At any rate, knowing as we do the chronic embarrassments of the Indian treasury, financial statesmanship would suggest not to be too hasty in disposing of such a sort of surplus. It is more in the nature of a fortuitous windfall and should not be depended upon. Take the latest instance. In the financial statement for 1896-97 there was a surplus, chiefly owing to better exchange. Straightway half a crore was gifted away to Manchester by reducing the import duty on cotton goods from 5 to 3½ per cent, on the hollow plea of protection, though the Chambers of Commerce, recognised associations, including the Presidency Association and the Bombay Mill owners, all protested against the plea put forward. It was felt as a sop to Manchester in loyal obedience to the "mandate" from the Secretary of State. Another half a crore was at once voted for purposes of mobilisation, though large sums in previous years had been expended on this object, despite our being told that it was not a recurring expenditure. But no sooner was the crore thus disposed of than famine overtook the land, necessitating a large expenditure. Had the crore not been so hastily voted away for objects hardly approved by the Indian public, it would have been available to partially diminish the deficit which is now announced in the revised estimates for 1896-97.

Provincial Contracts

Under this head the Provincial Conference held at Karachi last year, the Bengal Conference, and the Congress at Calcutta all passed resolutions demanding a more equitable mode of fixing the quinquennial allotments. In substance all these resolutions stated that the time had arrived when a further step should be taken in the matter of decentralisation by leaving the responsibility of the financial administration of the different provinces principally to the Local Governments, the Supreme Government receiving from each local government only a fixed contribution levied in accordance with some definite equitable principle, which should not be liable to any disturbance during the currency of the period of contract except in dire emergencies, as contemplated by Lord Ripon's Resolution, so as to secure local governments that fiscal certainty and that advantage arising from the enhancement of the revenues which are so essential to all real progress in the development of the resources and in the satisfactory administration of the different provinces. It would be well that in each case the Government of India should record a declaration showing the dire necessity which has made it necessary to infringe the original contracts with the provincial Governments. And the contributions taken from the different provinces should be taken on the basis of the original contracts. It is thought that at present not only the Imperial Government takes a larger portion of the provincial revenue at the renewal of each contract, but makes further demand on the Provincial Governments when it has to meet a very large expenditure. This policy hardly engenders an economic spirit in the Government of India. It checks provincial expenditure, but there is none to check its own. It is the old story of who will keep in custody the custodian. It is, therefore, suggested that the Provincial Governments should respectively contribute to the State treasury a certain fixed percentage of their revenue, and reserve the rest for their own expenditure. If 40 per cent is so reserved, it would not only impart uniformity, but remove the present

complaint of unequal contribution. The older and richer provinces are made to pay partially for the expenses of the newer and poorer. The advantages claimed under the system proposed by the Congress and the Conferences are these —

(1) That each province will be in a position to work out its own financial salvation exactly in the way in which a kingdom self contained and self managed does

(2) That it will enable each province to develop its material resources with the revenue it may make available on objects of utility

(3) That it will be unfettered by any obstruction from the Imperial Government

(4) That the Imperial Government would only obtain as much as would suffice for its reasonable requirements, and not for expenditure on objects of doubtful utility or on profitless border expenditure and so forth, including so called strategic railways and military works

(5) That thus the Imperial Government would be compelled to cut its coat according to its cloth and exercise the strictest economy in Imperial expenditure. A sort of automatic check will be exercised. These checks would operate usefully as a financial control over the expenditure of the Government of India

II —PROGRESS OF EXPENDITURE.

2 —*Progress of
Expenditure.*

For purposes of comparison I have taken 1884-85 as the standard year for two reasons. Firstly, my Association, in its memorial to the Indian Government, in March, 1894, complained of the excessive growth of civil and military expenditure during the years following 1884-85, and pointed out that the increased expenditure was principally to be attributed to that expenditure, and not to the increasing expenditure on exchange, which was only a subordinate factor. Secondly, because in 1884-85 revenue and expenditure nearly balanced each other after the many vicissitudes to which Indian finance was subject by famine and the second Afghan War, and after the laudable remission of taxation to the extent of nearly three crores of rupees during the administration of Lord Ripon with Sir Evelyn Baring (now Lord Cromer) as the Finance Minister.

I may also observe that, in comparing the growth of expenditure from 1885-86 to 1894-95, I have taken the average increase of the decade, as being more accurate and satisfactory. For instance, take one item of expenditure, say the net charge on the Debt Services. These amounted in 1884-85 to Rs. 3,907,848, in the year 1894-95 it was Rs. 4,308,955. Apparently, the difference in the amount between the two years would show an increase of Rs. 401,107. If, however, the average of the annual growth of the ten years was taken, it would be found that the charge was Rs. 3,728,949, or a decrease of Rs. 178,999 over 1884-85.

According to the Parliamentary Return of Income and Expenditure, dated 27th March, 1896, the net expenditure for the ten years ending with 1894-95 amounted to Rs. 545,854,292, while the net revenue was Rs. 546,319,618, showing a net surplus during the decade of Rs. 465,326. It meant that the expenditure just balanced the revenue and left an insignificant surplus of half a million tens of rupees. It should, however, be remembered that enhanced taxation on salt, and the imposition of the income tax, and that of the import duty on certain classes of merchandise in 1894-95, yielded Rs. 23,996,829. But for this amount there might have been a deficit of Rs. 23,531,503, or say 2.35 million Rs. per annum. But even this is not the full measure of the deterioration of the finances during the decade under review. The Famine Insurance Grant was now and again partially suspended—in all, amounting to Rs. 4,530,114 while the provincial balances were encroached upon to the extent of Rs. 890,000. When these additional items are taken into consideration, it would be found that the deterioration or deficit amounted to Rs. 29,406,943, minus Rs. 465,326.

I attribute this deterioration in the finances, which necessitated additional and enhanced taxation, to the enormous growth of military expenditure in the first instance, and, secondly, to a considerable increase in the civil expenditure. But the main disturbing factor was military expenditure, but for the growth of which the revenue could have fairly borne the increasing burden of exchange without any of the taxation imposed.

Thus

	Rx
Net Expenditure in ten years	545 854,292
Deduct increased net Army Charges over 1884 85, exclusive of exchange	37,494 770
	<hr/> 508,359,522
Net Revenue in ten years was	Rx 546,319 618
Deduct New Taxation, Famine Grant suspended, and Provincial Balances	29 406 943
	<hr/> 516 912,675
	<hr/> Net Surplus 8,553 153

The increase of Military Expenditure was mainly owing to the addition of 10 000 European and 20 000 Native Troops in 1885. On this subject a resolution was passed at the First Indian National Congress (1885) as follows: 'That in the opinion of the Congress the proposed increased Military Expenditure of the Empire is unnecessary, and regard being had to the Revenues of the Empire and the existing circumstances of the Country, excessive. I seconded this resolution, and gave my reasons in support of it.

On the same subject, namely, this increase of Troops, the Bombay Presidency Association forwarded on January 27th, 1886 a Memorial prepared by me, to Lord Randolph Churchill, the then Secretary of State, protesting against its necessity. It pointed out that, bearing in mind the Report of the Simla Army Commission, that for all purposes of internal defence and repelling external aggression on the Frontiers, the then existing strength of the Troops was sufficient, the Association failed to understand the reasons for augmenting it, when seventeen millions were being already spent per annum as the Army was then constituted. That successive Viceroys and Finance Ministers had deplored from time to time the growth of the expenditure, and emphasised the necessity of curtailing it. That the Government of India itself in its despatch of November 21st, 1884, pointed out how the growth occurred: that of the net average growth of Rx 670 000 per annum in the ordinary revenue during the decade ending 1883 84 the army charges alone absorbed Rx 144 000 (during the same decade the growth of the net land revenue was Rx 400 332, or say Rx 40,000 per annum—so that increased Military Expenditure absorbed in one year the net increase in land revenue of three years and a half) that the Indian Exchequer had no reserve to fall back upon: that there was no true surplus to speak of while the periodic calamities of famine, let alone other unforeseen contingencies, had generally to be met with borrowed monies which only swells the permanent interest on the Revenue. That, reviewing in 1879 the finances of India for the seven preceding years, Sir John Strachey, a former Finance Minister, observed that 'India had no true surplus of revenue over expenditure to cover the many contingencies to which a great country is exposed' that such being the ordinary condition, the Association would leave to the Secretary of State to consider how the finances could bear the severe strain that was then about to be put upon them to the extent of two millions sterling per annum, that, in its despatch of February 8th, 1878, the Imperial Government observed that "placed as it was under the serious responsibility of so administering the affairs of the greatest dependency of the British supremacy, that while British supremacy is strictly guarded, the means of securing that end shall not unduly weigh on the people of this country, it was constrained to represent to Her Majesty's Government that the burden thrown upon India on account of the British troops is excessive and beyond what an impartial judge would assign in considering the relative material wealth of the two countries and the mutual obligations that subsist between them—all that we can do is to appeal to the British Government for an impartial view of the relative financial capacity of the two countries to bear the charges that arise from the maintenance of the army of Great Britain, and for a generous consideration of the share to be assigned by the wealthiest nation in the world to a dependency so comparatively poor and so little advanced as India—owing to the poverty of the people and their consequent inability to bear taxation, it was unable to supply the funds required for the most necessary and desirable objects", that the Secretary of State will, on a reconsideration of the whole question in all its bearings, political and

financial, be pleased to recall the instructions issued on the subject, and at the same time take such measures for the curtailment of the overgrown Military Expenditure as to bring about a sounder and healthier state of Indian finance generally, that should Her Majesty's Government adhere to their resolution to carry out the proposed increase in the Army, the Association submitted that the expenditure thereon should be met from retrenchment, for which there was great scope, and not from increased taxation, and that the Imperial Government of England be asked to share the greater portion of the burden and, lastly, that a stringent system of check and control be established so that encroachments on the revenues of India may be effectually prevented. I beg to put in this Memorial.

These were the views expressed eleven years ago on Military Expenditure by the Association, which the course of events has now greatly emphasised. For beyond the expenditure on the increased troops there has been a very large expenditure on strategic railways, on arms and ammunition, on mobilisation on a variety of border expeditions beyond the statutory frontier of India, special defences, military roads, and the occupation of Upper Burmah. The Association, therefore, is of opinion that it is the increased Military Expenditure which is primarily responsible for the embarrassed condition of Indian finance during the period under review. I beg to put in a copy of the Memorial.

I may observe that in response to the invitation issued to leading public bodies by the Finance Committee appointed by the Government of India, the Bombay Presidency Association forwarded on 27th August, 1886, a Memorandum on the retrenchment of expenditure as prepared by me. That Memorandum, which I beg to put in, reiterated in brief its protest against the burden of two millions sterling on the additional troops, as well as the outlay on frontier railways and other military works, and observed that those were all elements of danger to the stability of Indian Finance: that loss by exchange was liable to swell with further fall in the value of silver measured by gold, that while it disturbed the Indian Exchequer, it was within the power of the Government to mitigate to some extent the evils arising from it, provided the causes which created the heavier burden were fairly faced: namely, the home charges, that these would grow in future with the increased Military Expenditure and with the increase of sterling debt and of salaries and pensions which had to be paid in gold, that a material reduction under exchange could only be looked for when there was a corresponding material reduction in those charges, that it was essential for the Indian Government to urge strongly on the Secretary of State the desirability of devising some scheme to commute in silver the liabilities that had to be met by gold payments: that, if possible, the guaranteed interest on railways should be reduced by opening negotiations with those Companies as suggested in 1882 by Sir John Strachey and General Strachey at pages eighty and eighty three of the "Finance and Public Works of India", that at the same time it was expedient to contract payment in silver only, so far as it may be possible, of all liabilities and obligations which the Government may have to incur hereafter, as well as salaries, pensions and gratuities of every kind and nature, that, beyond, the charges which entail loss by exchange, which in all fairness should be borne by the British Treasury, such as the Aden Residency, the Persian and Chinese Embassies, and other minor political establishments, should also be paid by England, as well as rents, taxes, and charges on buildings in London constructed at India's expense besides other miscellaneous charges too numerous to mention, that the burden of the cost of the European agency was very heavy, as detailed in the table appended to the Memorandum, that a very large saving might be effected by the more extensive employment of Natives in posts which are now filled by highly paid Europeans, that the annual migration of the Supreme Government to Simla was injurious financially and by reason of the length of the period over which it extended (the cost being according to a Parliamentary return, August 26th, 1886, 7 lakhs, but it is generally believed it is actually considerably more), that the cost of collection of land revenue was growing larger, so, too, the customs and salt establishments, that the cost of superior establishment in the P. W. Departments and the cost of General Administration, too, had grown since 1870-1, that expenditure in the Bombay Presidency under various heads was large and susceptible of reduction, that it was imperative expenditure should be adjusted to income rather than income to expenditure, that the interests of India in expenditure were not sufficiently protected under the constitution of the Council of India in England, and there was much better protection

in the time of the E. I. Company, that there was no sufficient barrier against official pressure in the direction of lavish expenditure, that it was the faulty system of Administration that was at the root of the financial embarrassment, and that therefore fundamental changes should be made in that system, especially in the gradual substitution, on a large scale of Native for European Agency, without which it would be vain to indulge in the hope that any permanent relief could be afforded to the Indian Treasury I beg to put in a copy of this Memorial

It would be noticed from the above that the Association had, eleven years ago, fully gone into the question of the large growth of Expenditure reviewed all the causes which led to it, and suggested economies and reduction Though the Finance Committee eventually recommended savings in expenditure amounting to a little over half a crore and although a portion of that saving was effected at the time, the subsequent increase in expenditure has more than swallowed up the savings, and civil expenditure since has grown considerably along with the military Therefore the condition of Indian Finance now is much worse than it was in 1886

Coming now to the heads of Expenditure, I may remark as regards the public debt that the Rupee borrowings have increased eleven millions Rx, while the sterling debt has arisen from £69,271,088 in 1884-85, to £114,005,826 in 1894-95 or nearly 70 per cent It should be borne in mind that every increase in sterling debt adds correspondingly to the annual interest charge Sterling loans for public works of an unproductive character such as Military Railways, are most objectionable The Committee on the Home Charges has well put it (Parliamentary Return, July 13th, 1893) That the greatest caution should be exercised in borrowing in England for Public Works in India especially as long as the rate of exchange is so variable as practically to make of little value all calculations as to the charge for interest The conclusion is supported by another important consideration The political inexpediency of adding to the charges to be met from the revenues of India by payments made in this Country is very obvious and in view of the feeling in India on this subject, no increase of such charges should, in our opinion, be increased unless it be practically unavoidable

It may be as well to examine the growth under the several principal heads up to 1893-94 as I have not before me the new volume of Finance and Revenue Accounts up to 1894-95 just issued I am aware of the explanations given as to the increases The Military Department must justify them But having regard to the expression of opinion given by Sir H. Brackenbury, that expenditure exclusive of exchange has not much increased in India since 1885-86 I beg to submit the following table, which shows the average annual growth of the expenditure from 1886-87 to 1894-95 under the head of effective services in India and England, exclusive of exchange, compared with 1885-86

	In India Rx	In England Rx
1 Army and Garrison Staff	18 869	
2 Administrative Staff	9 102	
3 Regimental Pay, &c	784,320	347 158
4 Commissariat, &c	1,068 592	120 630
5 Remount	22 908	3,013
6 Clothing, &c	110 383	—71 585
7 Barracks	37 032	
8 Administration of Martial Law	11 530	
9 Medical	80 300	—7 202
10 Ordnance	62 892	38 693
11 Ecclesiastical	846	
12 Education	3 883	
13 Transport	15 972	—72 286
14 Miscellaneous	—2,582 956	3,780
15 Volunteer Corps	37 455	
	—118 872	362,201

ARMY AND GARRISON STAFF—Taken year by year since 1885—6 it has shown a steady increase

REGIMENTAL PAY has risen from 6,841,956 Rx to 7,877,608 in 1893—4 In England, too the amount (exclusive of exchange) has gone up from 959,428 Rx to 1,070,454 Rx

COMMISSARIAT shows a fluctuation In 1886—7, after [the additional troops were provided, which led to the charges of 3 034,189 Rx in India and 35 970 Rx in England, there was a decline in India up to 1889—90, when the charges fell to 2,578 501 Rx Since that year they were as under 1890—1 Rx 2,633,637, 1891—2 Rx 3,307 657, 1892—3 Rx 3,251,886, 1893—4 Rx 2,959 904

CLOTHING exhibited the same general tendency of regular increase from year to year In 1886—7 the cost came to 69,546 Rx in India, till in 1889—90 it rose to 119 992 Rx In the following year it jumped to 168,113 Rx, till in 1892—3 it stood at 171,187 Rx, with a slight fall in 1893—4 *Per contra* there has been a diminution in England, while the decrease there in eight years, compared with 1885—6 is 71,525 Rx, the increase in India during the same period was 110,383 Rx So that on the whole there was an increase

ADMINISTRATION OF MARTIAL LAW shows a steady increase.

MEDICAL has risen from 6 075 040 Rx in India to 6,805 990 in 1893—4, but has fluctuated in England from 216,390 Rx. to 331,470 Rx

ORDNANCE exhibits a large growth both in India and England despite the fact that, according to Col Wace, the factories for arms and ammunitions in Bombay and Bengal are turning out larger stores than before It seems that the savings obtained in local manufactures are more than absorbed by additional cost for increased ordnance of all kinds

MISCELLANEOUS SERVICES —This is a most extraordinary charge, for the reason that the Annual Revenue and Finance Account give no particulars, while under all other heads particulars of small items of tens and hundreds are given Here a lump sum is put down from year to year, averaging about half a million tens of Rupees That such a large sum should be spent for which no detailed figures could be obtained is much to be regretted from the public point of view Only particulars of sub marine mining charges, which are very small, are given For instance, in 1884—5 the gross charges amounted to 620,706 Rx, while the accounts for that year give sub marine mining charges at 5,595 Rx, and the remainder, 615 513 Rx, are put down as "Miscellaneous Services

VOLUNTEERS —The charges under this head show a steady increase They have risen from 84,642 Rx. to 177 446 Rx. As Indians are not accepted as volunteers, it appears that European volunteers are maintained mainly for the purpose of British supremacy The charge, in great part, therefore, should be borne by the British Treasury

MILITARY WORKS AND SPECIAL DEFENCES —The point to be noted under these heads, *apart from their doubtful utility, is this that the cost of these works, which are supposed to last for more than a generation, is all charged to revenue* Thus the present generation of taxpayers bear the burden when both sound finance and equity demand that it should spread over at least twenty five or thirty years I agree with Sir H Brackenbury in the observations made in reply to question (14 742) that India is the only country which has carried out such works without a loan while every Continental Nation has got an extraordinary budget for Military Works, and at present even in England there are Bills before Parliament for borrowing money to carry such works

It will be seen from all that has been said in the foregoing evidence that military expenditure is most burdensome It was said (A 5210) that "the army must be made an efficient weapon But the efficient weapon may cost over much and far beyond the financial ability of those who provide the funds for it. The Simla Army Commission was more alive to the increased army charges from the taxpayers point of view when in its Report (see p 11) it observed that there was some truth in the statement that hitherto ' army reform in India has been dealt with on the principle that India was made for the army and not the army for India ' There is no doubt that the effectiveness of the army for purposes of external defence depends greatly upon the friendly attitude of the masses of the people towards Government. Every measure, therefore, tending to conciliate the people, and to make them contented, may be regarded as expenditure tending to increase the efficiency of the army.

Lastly, I beg to submit the following table of the cost of a soldier per annum in the armies of the great powers of Europe and Japan, from which it will be noticed

	Rx
(2) Guaranteed Railways—	
Net receipts	34,201,231
„ charges	<u>42,312,231</u>
Loss	8,111,000
(3) Total loss in 10 years	14,113,626
(4) Average loss per annum	1,411,362
(5) The Subsidised State Railways incurred a net loss of 9 ⁸⁹ 333 Rx during the decade, or a loss of 98 933 per annum. But the loss is smaller by 82 833 Rx than what it was in 1884-5. The above results, however, refer to the mere working of the railways. When all the financial factors, including interest on capital outlay, are taken into consideration the results are different. To exhibit this take the actual financial results as stated in paragraph 19 (P 22) of the Parliamentary Blue Book on “Administration Report on the Railways in India for 1895-96.”	

	1894-1895	Rx.
LOSSES—		
Guaranteed Railways		1,504,138
State Railways—		
Military open		55,011
Do unopen		88,853
Commercial, open		114,716
Do unopen		<u>251,678</u>
	Total losses	2,518,396
GAIN—		
State lines leased by Companies		—856,557
State lines worked by Companies		<u>1,172,051</u>
Apparent net loss		2,199,894
Add other charges		<u>145,525</u>
	Total apparent charge	<u>2,345,419</u>

lines leased to Companies, that is to say Imperial lines constructed with capital raised by or supplied to Companies under Contract with the Secretary of State, do not yet show any very encouraging results. Statement No 2 of the Railway Administration Report already referred to, shows that the working for 1894 5 was a loss of 856,557 Rx These Railways have a capital outlay of 34,603,797 Rx, on which, after paying interest charges, taking into consideration their net earnings, less their share, there was the loss of 856,557 Rx, as indicated above

Again, according to Statement No 3 of the same Report, the Commercial railways belonging to the State which were open for traffic or working lost in all 114,716 Rx during 1894 5—their total capital being 62,019,586 Rx

But it is the State Military Railways which show a very heavy loss The North Western, with a capital outlay of Rx 12,213,069, incurred a loss in 1894 5 of 559,011 Rx., while four unopened lines, with a capital of Rx 2,568,508, lost 88,853 Rx Thus there was a total loss of Rx 647,864 on a capital outlay of Rx 14,781,577 The enormous amount of the Capital sunk in these Military lines, and the loss they incur from year to year, need the closest attention of the Commission In reality the Military expenditure should be increased by the annual loss entailed by these railways. *They are of a most unproductive character, and must be condemned* The strategic utility even is openly doubted by even military experts, such as Colonel Hanna. In connection with these railways it may be pointed out here that in the capital outlay is included the sum of 436,900 Rx for "Frontier Railway Reserve Material, besides a further item of 35,776 Rx from "Peshawar Railway Reserve Material" The first would refer, I believe, to the railway material lying at the farther end of the Khojak pass for laying a line to Kandahar, about 100 miles, whenever the emergency arises The material has been there since the conclusion of the second Afghan War, I leave it to the Commission to consider the utility of such expenditure, involving a heavy annual charge for interest, not to say aught of the deterioration of such material

Further, there is now in progress the new Bolan railway, called the Mushkof Bolan The old line is abandoned, and a new alignment made for a certain distance No doubt it is owing to heavy floods that the course has been changed All the same, it means so much more capital, and also a little want of foresight in the first construction

Lastly, there is a certain line under survey, namely, the Wazerabad Multan Railway

It will be manifest from the above observations that after all the Indian Railways are not quite an unmixed blessing, as it is the work of the official optimists and their unofficial advocates or apologists to say Far from in any way detracting from the boons conferred by Indian Railways, I may say without hesitation, that they have been vastly instrumental in developing the country, mostly to the benefit of the foreign capitalist Still, from the financial and economic point of view, there are certain disadvantages to the people

The financial losses are a burden on the taxpayers The *real* burden of these losses from the very date of the construction of the railway in 1848 to date is colossal In the Parliamentary return on E I Railway Committee Report, published on July 18th, 1884, there is given at pages 706 7, a table clearly showing the financial losses The table was specially prepared at the India Office by order of the Secretary of State Taking some of the figures of that table, and following them up by the table of the losses incurred as given in the Annual Administration of Railways for 1895 6, it would be found that the losses from 1848 to 1894 amount of Rx 60,689,159, as under —

	Rx
(1) Guaranteed Railways Interest Charges 1848 9 to 1867 8 ..	17,643,438
Do do 1868 9 to 1879 80 ..	15,352,779
Do do 1880 1 to 1894 5 ..	7,287,903
	<hr/>
Add Charges account Land and Supervision, 1858 9 to 1894 5	40,284,120
	<hr/>
	3,860,954
	<hr/>
	44,145,074
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(2) State Lines worked by the State from 1858 9 to 1894 5	20,812,919
	<hr/>

	Rx
	Gain (plus)
	or Loss (minus)
Bengal	minus 4 935 789
N W P and Oude	plus 1,366 411
Punjab	plus 2 558,605
Madras	plus 5,326 584
Bombay .	minus 430 343

As far as Bombay is concerned it may be stated that Sind made a net profit of 267,410 Rx but all the works in Gujrat and Deccan showed loss amounting to 697,753 Rx

After the evidence adduced before the Commission in respect of certain canals in the parts which had to be taken over from insolvent companies, at prices which can only be considered most improvident and uncommercial, it would be idle to refer to such class of works which have cost the taxpayers millions without any satisfactory return whatever. But I may be permitted to observe that in the present deteriorated condition of Indian agriculture, when there is not enough food grain produced to fully suffice for the entire population per annum it is of greater importance to construct irrigation works than more railways. It should be remembered that even protective railways against famine however largely constructed, would give no help to the people in famine stricken districts, whenever a serious famine of the intensity now prevailing may occur, if there be not adequate surplus of grain to carry from one province to another. What is more essential is to stimulate the food supply. Irrigation therefore, is of infinitely greater importance than railways. In some parts, undoubtedly, the big irrigation works have done mischief to the fertility of the soil and the health of the population. It is however, not large costly works which cannot pay even the interest on the borrowed capital from which they are constructed that are wanted. My proposal is to dot those parts of the country which generally suffer from insufficient rain or drought with numerous wells, which may cost from 50 Rupees to 500 or even 1000 Rs at the utmost.

Madras boasts of many such wells built anterior to the advent of British rule. If irrigation by wells and other equally cheap modes were put into practice, it would entirely change the surface of the soil in a few years and at a considerably less cost.

Coming now to what are called Civil Department, I may just summarise the growth of the charges under the various heads during the decade, compared with 1884 5

Civil Department

	Increase Rx
(1) General Administration	152 001
(2) Law Courts	190 178
(3) Jails	48 868
(4) Police	817 353
(5) Marine	116 913
(6) Educational	120 779
(7) Ecclesiastical	640
(8) Medical	85 498
(9) Political	25 513
(10) Scientific, etc	22 018
Total	<u>1 579 61</u>

In reference to all these charges justification has been given but as a non official I have no means to judge of the necessity or otherwise of the increases in the several departments. It may be that they were needed for greater efficiency. At the same time there are some matters on which criticism may be ventured. General administration is divided under two heads—that in India and in England. The Indian charge has increased by 63 711 Rx per annum, and the English by 9,218 Rx. In the former there is a very large growth under the sub head 'Secretariat', almost all the provinces as well as the Government of India increased their charges. As a result the cost which was 338 031 Rx in 1886-7, rose to 394 912 Rx in 1893 4. As to Secretariat charges, I have to refer the Commission to the minute of Sir C. Aitchison about the increase in the Financial Department (See Appendix 2, Volume II, page 35.)

The tour charges of the Viceroy need to be greatly curtailed. They work besides to the disadvantage of the taxpayer by residence for eight months at Simla. What was once a retreat for two or three months during the hottest part of the year is now virtually the seat of the Government for the major portion of the year. All India, European and native, has condemned what is called the Simla exodus. All the heads of the departments under the Government follow suit, and thus a most mischievous practice has grown up of staying on the hills. Since writing this evidence I find in the Bombay papers and others that there is now an agitation against the Simla exodus—that the Viceroy and the Government should go there. Even at the present moment this exodus is criticized severely, especially while famine is raging in important parts of India. Sometimes important legislation of a far reaching character, needing the presence of non official members is required. But owing to the Government residing there they are not summoned. A most glaring instance of this was found when the Currency Amended Act was passed on June 26th, 1893. No non official member save Sir John Mackay, who was favourable to the Amending Act, was present. The non official native members had no opportunity to explain their views. This is a great political evil.

Law and Justice

Under Law and Justice all the sub heads show a great increase. High Courts, &c., show an increase from Rs. 314,423 in 1886-7, to Rs. 347,195 in 1893-4. Law officers' establishments have risen from 64,419 to 96,045 Rs., Civil and Sessions Courts from 69,355 to 68,199. Criminal Courts from 901,645 to 1,004,886. This branch of the Administration could be more economically and efficiently managed were native agency still more extensively employed in substitution of Europeans. Great complaints are made as to the efficiency of the police, and the reason is that the higher appointments are almost all reserved for Europeans. Therefore there is little prospect for police subordinates and the best class of men are unwilling to enlist in the force. With proper arrangements native officers of police should be obtainable bearing the same high character for ability and integrity as the class which furnishes the subordinate judges. If almost all the district judges, civil and criminal were trained native lawyers, a great saving could be effected, while judicial administration could be greatly improved. The Public Service Commission has borne ample testimony to the good work done by native judiciary. In this connection I may observe that there is now a consensus of opinion, not only among Indians but among English lawyers of reputation and authority who served in India that the administration of criminal justice, which is at present not very satisfactory, would be improved by separating judicial from executive and magisterial functions. In Bombay the Honourable Mr P. M. Mehta a trained barrister of twenty nine years standing and most fully conversant with criminal justice, more than once brought his scheme of reform to the notice of the Legislative Council, but to no purpose. The scheme is not at all costly though the question of heavy cost is brought forward as an excuse. I can produce extracts from the proceedings of the Bombay Legislative Council to show what Mr Mehta's scheme is.

criminal work, they are not able to do it. If all this criminal work intermittently done by these men was made over to subordinate judges who are trained officers and competent to deal with it, the cost of criminal work would be reduced in this way. I would abolish one of the three assistant collectors, i.e., Rs 700, and cut down the mamlaidars by half, i.e., Rs 825, total, Rs 1 525. Against this I would suggest the employment of three more subordinate judges for the district on Rs 300 a month each, viz., Rs 900. This would give a monthly saving of Rs 625 or Rs 7,500 a year. This would not only secure economy, but increased efficiency, for the work would be done by better trained judicial officers. There would also be another advantage. We know at present that assistant collectors have to call the accused and witnesses in cases on their files to follow them to their camps over long distances. This is a very great hardship. Then again the evils of associating criminal and revenue work would be mitigated.

There were also certain economies proposed by the Finance Committee with regard to certain appointments in the High Court of Bombay. For instance, the placing of the Clerk to the Insolvents' Court on a fixed salary instead of on fees, which now come on an average to Rs 3 000 a month—very nearly the pay of a High Court Judge. The post can easily be filled by a competent native on Rs 400 to 500. But here, for ordinary routine work, the incumbent is still permitted to draw fees equivalent to the pay of a judge who does hard brain work.

As to Educational Charges, all that I can say in this place is that the expenditure is very illiberal. There is a loud cry all over the Empire that the Government spends very little on the education of the masses, a very large proportion of whom are illiterate. The total expenditure on this head in 1884-5 was Rs 1,035,496, including local cesses. During the succeeding ten years it was on an average Rs 1 156,275. The increase was Rs 120,779.

The late Sir Alexander Grant, Director of Public Instruction in Bombay, observed that if the Government gave only 2 per cent of its gross revenue per annum for purposes of education, it would achieve a great progress in matters of education. As a matter of fact, it spends only 1 per cent, and that for all kinds of education, while a very large portion of the population is ignorant of the very alphabet. Millions are thrown away on bootless frontier expeditions and fireworks, for which monies are always forthcoming, but not for the education of the masses. Great Britain spends eight millions sterling per year on thirty-six millions of the population. But for the 220 millions of British India the Indian Government spends very little indeed. Every rupee spent on education will eventually serve to drive ignorance and superstition from the country, and bring the masses into closer attachment with British rule. In short the more India is educated, the greater the strength and security of the British Indian Empire. I beg to point out that the Indian Government now derives a revenue from the drink traffic of over 5½ million Rs from the masses. It comes to 4 annas per head of the population roundly speaking, while it spends only a little less than an anna on education.

have been annually less expended. A prolonged and unpleasant controversy has raged round this grant, and the Indian public, despite all official explanations, have maintained that the fund has been tampered with in spite of solemn assurance. But apart from the controversy it is a fact that for three consecutive years, owing to increased military activity in Upper Burmah and elsewhere, the amount expended was very low

	Rx
1886 7	309 020
1887 8	91,408
1888 9	78 336

In 1889 90 and 1890 1 500,000 Rx were expended. In 1891 2 the sum applied was 1,268,319 Rx. In the following two years it was 1,116,103 and 1,117,801 respectively, while in 1894 5 it was again reduced to 610,235. I do not agree with the contention put forward on behalf of the Government that it is only when a surplus is available that the grant could be given. For, as a matter of fact, there have been grants when there were deficits also. In 1884 5 there was a deficit of 386 446, yet the grant was maintained in the accounts at 1,548 357. In 1892 3 there was a deficit of 832,412, and yet there was a grant of 1,116,103. In 1893 4 there was a deficit of 1 546 998, and yet 117,801 Rx were made available. These stern facts entirely disprove the plea put forth that the grant could only be made when there is a surplus. The Indian public has never understood it in that sense. The sense in which it has been understood is this. That it was to form an ordinary item of expenditure, for which a tax was specially provided. Even supposing, for argument's sake, that the undertaking was inaccurate (which I deny), sound finance alone demands that this item should be considered as an ordinary recurring expenditure, at any rate, till such time that the necessity for it exists. There can be a surplus only in the true sense of the term when all normal expenditure is provided for in the Budget. The partial suspension of the Famine Fund in the past cannot therefore, be excused. Far better to declare at once that the grant will be available whenever it suits the Government rather than apologise for its partial suspension in the absurd way that it has been done in the past. Lastly, it is impossible to understand on what principle are Indian Midland and Bengal Nagpur Railways considered to be protective railways that the interest due on their capital should be paid out of the Famine Fund. Both are commercial railways, and it is surprising that the interest charge should not be carried to the railways proper constructed out of borrowed capital.

*Exchange
Compensation
Allowance*

There was absolutely no reason for the Indian Government to impose on the one hand a further burden on the taxpayers and on the other simultaneously give more to those who are already in the enjoyment of very liberal salaries—salaries which have no parallel in any part of the civilised world. That there was no legal obligation to allow this compensation has been fully admitted by the Government of India, and specially at the expense of the taxpayers as if they did not suffer also from the burden of exchange, as if they did not contribute to help the State to cover the loss arising from it. But objectionable as it is there is no validity even in the reason assigned, namely, that civil and military officers have felt it a great hardship to remit monies home for maintenance and education of their families in England. In the first place the Government is not bound to take this plea into consideration. The patent economic fact of the increased purchasing power of gold seems to have been totally ignored. If the officers have less sovereigns to remit for the equivalent in rupees, their families are able to buy more of all domestic goods. It will be seen from the table in the Presidency Association's memorial of 16th March, 1894 put in by me, that the prices of almost all articles of domestic consumption and wearing apparel have greatly fallen since 1884. And my inquiry since my arrival in London would seem to inform me that house rent even in so dear a place as London has fallen. In the teeth of these facts, it was a gross act of injustice to the Indian taxpayer to impose fresh burdens on him for the sake of the Services. Nothing has created greater dissatisfaction than this measure—so arbitrary, and worthy only of Oriental despotism, regardless of the poverty stricken condition of the people, rather than that of a just Government as the Government of India purports to be. But for this there would have been no necessity to re-impose the import duty on merchandise, and the sooner this financial injustice is removed the better.

CONCLUDING OBSERVATIONS ON THE GROWTH OF EXPENDITURE

From the foregoing examination of the progress of expenditure it will be evident to the Commission —

1 That the financial embarrassments which prevailed during the decade owe their origin principally to the enormous growth of Military Expenditure, which has led to the imposition of additional taxation which now amounts, including the customs duties on cotton goods, to nearly 6 crores

2 That the growth in Civil Expenditure is also very considerable. But so far as this is concerned there is not much cause of complaint save in one respect, namely, that the costly foreign agency absorbs a large portion of the revenue which could be considerably saved if there was more extensive employment of Indians in the higher grades of the Administration. It may be observed that adequate Civil Expenditure of a productive character is much to be desired. I mean such as gives the taxpayer a fair *quid pro quo*, such as education for the masses, more efficient administration of justice, greater village and town sanitation and all other works of public utility which contribute to the expansion of provincial resources and prosperity of the people.

3 That the burden of exchange might have been easily borne, without resort to fresh and enhanced taxation had the Military Expenditure been on the basis of 1884-5

go into the great moral and material drain of this alien agency, which the country has been witnessing for years past. Mr Naoroji has exhaustively demonstrated it to the Commission, and I have nothing new to add.

III—APPORTIONMENT

3—Apportionment of Charge

After the mass of evidence recorded by the Commission on the subject of the Apportionment of charges between England and India, there remains very little to be said.

First as to what are called Home Charges namely, those which were inquired into by the India Office departmental Committee, all high authorities such as Lords Northbrook, Ripon, Cromer, and Lansdowne have expressed their opinion that the apportionment cannot be merely on the basis of an arithmetical calculation but that having regard to the capacity of India and the fact of its being almost voiceless in the matter, the apportionment should be on the grounds of justice and equity for which India has clamoured for years but hitherto in vain.

Second That in reference to all charges which are incurred for the common interests both of England and India it is just and expedient that England should bear at least half of those paid for the European Agency military and civil, employed in England and India.

Third That all charges incurred from the time of the Second Afghanistan War on the north west frontier of India should be equally divided. Though my Association and the Congress are of the opinion that all these frontier wars and expeditions were unjustifiable and a needless waste of expenditure, for all practical purposes a compromise in this matter may be agreed to by an equal division of the expenses hitherto incurred. As to Upper Burma the entire cost of the military expedition and the subsequent cost of administration should be wholly refunded by England to India, and the province separated from India and made into a Crown Colony as was suggested by the Congress. The occupation was made out at the suggestion of English merchants in Rangoon and Mandalay. Indians never demanded the annexation, and it is unfair to India that for the promotion of the interests of English capitalists and extension of the British Empire any charges be paid out of the revenues of India.

Fourth The charges for the occupation of Aden and its subsequent administration should be fairly divided between England and India and between all the British Colonies in the East. And as to the Embassy at Teheran the charges should be wholly borne by England as no Indian interests are concerned.

Fifth That India should not be called upon to pay any charges ordinary or extraordinary whatever in reference to all service which India may be called upon to render to England, unless India was directly interested and that in such case the charges should be also equally borne by India and England.

Sixth That Indian affairs must be kept within the natural boundaries of India and she should not be dragged into matters outside those boundaries and made to pay their cost.

Seventh That if India is to be treated as partner, which she is not in any sense at present she should share all the benefits accruing from that partnership.

Lastly, I would suggest that some suitable Indian representatives should be appointed to seats in the India Council. It will be remembered that in the original scheme for the India Council, Mr Disraeli had proposed that seats should be preserved for members elected by a special Indian constituency. India has vastly progressed since that scheme was suggested, and it is high time some steps were taken in the matter. I think in the various elected members of the Provincial and Imperial Legislative Councils will be found ready made such a constituency. It could elect from its own body such members as would, in its opinion be best qualified to sit on the India Council, and represent all Indian matters, especially financial, from the Indian point of view.

BUDGET ESTIMATES COMPARED WITH REVISED ACCOUNTS IN TENS OF RUPEES.

REVENUE

Year.	Budget.	Revised.	Revised +, or — with Budget.	Accounts	Accounts + or — with Revised	Accounts + or — with Budget.	Remarks
1885-86	72,090,040	73,598,100	+ 1,508,060	74,464,197	+ 866,097	+ 2,374,157	
1886-87	75,798,700	76,071,700	+ 273,000	77,337,134	+ 1,265,434	+ 1,538,434	
1887-88	77,460,200	77,926,600	+ 466,400	78,759,744	+ 833,144	+ 1,299,744	
1888-89	80,010,500	81,585,500	+ 1,575,000	81,696,678	+ 111,178	+ 1,686,178	
1889-90	82,935,300	84,636,300	+ 1,701,000	85,085,203	+ 448,903	+ 2,149,903	
1890-91	84,932,100	85,313,500	+ 381,400	85,741,649	+ 426,149	+ 809,549	
1891-92	86,025,300	88,585,900	+ 2,560,600	89,143,283	+ 557,383	+ 3,117,983	
1892-93	88,367,900	90,021,200	+ 1,653,300	90,172,433	+ 151,238	+ 1,804,538	
1893-94	90,005,700	90,429,500	+ 423,800	90,565,214	+ 135,714	+ 559,514	
1894-95	92,024,900	92,154,100	+ 129,200	95,187,429	+ 3,033,329	+ 3,162,529	

BUDGET ESTIMATES COMPARED WITH REVISED ACCOUNTS IN TENS OF RUPEES.

EXPENDITURE.

Year.	Budget	Revised	Revised +, or — with Budget.	Accounts	Accounts + or — with Revised	Accounts + or — with Budget.	Remarks.
1885-86	71,582,300	76,488,900	+ 4,906,600	77,265,923	+ 777,023		
1886-87	75,616,500	76,071,200	+ 454,700	77,158,707	+ 1,087,507		
1887-88	77,443,500	80,943,300	+ 3,499,800	80,788,576	— 154,724		
1888-89	80,703,500	81,787,200	+ 1,073,700	81,659,660	— 127,540		
1889-90	82,829,000	82,826,600	— 3,000	82,473,170	— 355,430		
1890-91	84,661,700	82,526,400	— 2,135,300	82,053,478	— 472,922		
1891-92	85,909,700	88,665,100	+ 2,755,400	88,675,748	+ 9,848		
1892-93	88,221,300	91,103,100	+ 2,881,800	91,005,850	— 97,250		
1893-94	91,600,800	92,222,300	+ 621,500	92,112,212	— 110,088		
1894-95	92,326,800	94,163,600	+ 1,836,800	94,494,319	+ 330,719		

3.—EVIDENCE-IN-CHIEF OF PROFESSOR GOPAL KRISHNA GOKHALE.

APRIL 12th and 13th, 1897

Qualifications

I AM Honorary Secretary of the Deccan Sabha an Association established in Poona for promoting under British rule the political interests of the Indian people. For seven years I was Honorary Secretary of the Poona Sarvajanic Sabha—another political Association in Poona of a similar character—and Honorary Editor of its Quarterly Journal, a magazine dealing principally with questions of Indian Finance and Indian Administration. I am besides, a member of the Council of the Bombay Presidency Association, on whose behalf my friend Mr. Wacha has given evidence before this Commission. For four years I was one of the Secretaries of the Bombay Provincial Conference. I was also a Secretary of the Eleventh Indian National Congress that met in Poona in 1895. I was for four years one of the Editors of the *Sudharak* or Reformer, an Anglo-Marathi weekly of Poona. Lastly, I belong to a body of men in Poona who have pledged twenty years of their life to the work of education, and am Professor of History and Political Economy in Fergusson College.

*Division of
Evidence*

In accordance with the plan adopted by the Commission I will divide my evidence into three portions—the Machinery of Control, the Progress of Expenditure and the Apportionment of Charges between England and India.

*Importance of the
Question of
Machinery
General Remarks*

MACHINERY OF CONTROL.

The question of the machinery of Constitutional Control is in my opinion, a question of the highest importance. I may state at the outset that the position of India, so far as the administration and management of her expenditure is concerned, is somewhat exceptional. In the United Kingdom and the Colonies public expenditure is administered under the control of the taxpayers and therefore presumably solely in the interests of the taxpayers. In India, however, other interests are often deemed to be quite of equal importance and sometimes indeed they are allowed to take precedence of the interests of the Indian people. Thus we have, first of all the standing claims of the interests of British Supremacy, entailing a vast amount of expenditure, the benefit of which goes to others than the taxpayers of the country. The large European Army maintained on a war footing in time of peace the practical monopoly of nearly all the higher offices in the Civil Services by Europeans, and the entire monopoly of such offices in the Native Army, illustrate what I mean. I do not deny that this supremacy in itself has been a great advantage to India but what I mean is that the price exacted for this advantage is beyond all proportion too high. We next have the interests of the extension of British dominion in the East. Large sums have been from time to time spent in the past for this purpose out of the Indian Exchequer—in many instances in spite of the protests of the Indian Government—and if things

continue as at present, this misapplication of India's money is not likely to stop. All expenditure incurred in connection with the Afghan and Burmese wars, the extension of the Northern and North Western Frontiers and the utilisation of Indian troops for Imperial purposes, is expenditure of this description. Then there are the interests of the European Civil and Military Services in India. The extravagant privileges conceded to Staff Corps officers in 1866 have, it is now admitted on all hands, imposed, and improperly imposed, a heavy charge on the Indian revenue. The re organisation of the Public Works Department in 1885 may be cited as another illustration. The Finance Committee of 1886, appointed by Lord Dufferin's Government, consisting of men like Sir Charles Elliot, late Lieutenant Governor of Bengal, Mr Justice Cunningham, Sir W. W. Hunter, Mr (now Sir James) Westland, Mr Justice Ranade and others, thus expressed themselves on this subject — 'The re organisation of the (Public Works) Department was undertaken in consequence of an agitation on the part of European Civil Engineers employed in it, which was conducted in a manner likely, in our opinion, to have a bad effect on discipline, and therefore deserving of the disapproval of Government. It seems to us to have violated the orders of Government on the subject of combinations by its servants. Such an agitation would not have been permitted in any other Department, and should not again be allowed. The object of the re organisation was to improve the position of the officers of the Department generally, and in particular to remove the block of promotion, which had arisen from the excessive number of recruits obtained from Cooper's Hill College in the earlier years of that Institution. During the continuance of the discussion, which we have summarised, great attention was given to the grievances of the officers of the Department, but a careful consideration of the whole subject leads us to doubt whether the measures sanctioned were altogether suitable either in kind or in respect of the classes to which they were applied. They mostly consisted of increments of pay to the Executives of the third and fourth grades, and to the Assistant Engineers of the first and second grades—none of which classes of officers were at the time, so far as we understand the case in particular need of special assistance, and of the grant of greatly improved pensions to all officers of both classes and they were made perpetual in their application.' The concession made in 1890 to unconvenanted Civil Servants whose pensions were fixed in rupees, that these pensions should be converted into sterling at the rate of 15 gd. to the rupee and the grant of Exchange Compensation Allowance to all non domiciled European and Eurasian Employees of Government indiscriminately are more recent instances. I will return to all these cases later on. Lastly, the interests of British Commerce and of British commercial and moneyed classes often prevail over the interests of the Indian taxpayers. I might have mentioned the abolition of Import Duties during the administration of Lord Lytton and Lord Ripon as also the Tariff Legislation of last year, as instances. But they do not come under expenditure and may therefore, possibly be regarded as irrelevant. But the wasteful nature of many Railway Contracts, the extraordinary help given to the Orissa Company, the Madras Irrigation Company, and such other bodies of English investors, the vigour with which the construction of railways is being pushed on, programme following programme almost in breathless succession, in spite of the protest of the Finance Minister that the finances of the country now needed a respite in that direction, the conquest and annexation of Burmah, practically at the bidding of a powerful English trading Company—these are instances which are not open to the same objection. The frequent subordination of the interests of the Indian taxpayers to these other interests makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian expenditure and yet, I fear, nowhere are the safeguards more illusory than in our case.

The spending authorities in the matter of Indian expenditure are —the Local Governments, the Government of India, and the Secretary of State in Council (to which we must also add the Secretary of State in the Secret Department). The controlling authorities at present are —the Government of India controlling the Provincial Governments, the Secretary of State in Council controlling the Government of India (the Council sometimes tries to control the Secretary of State, but it is now much more dependent on him than it was once), and Parliament in theory controlling all. Now in the first place, all this is purely official control, unless indeed, by a stretch of words, we regard the theoretical control of Parliament as to some extent popular. Real popular control, in the sense of control by taxpayer, is,

The Machinery as it exists at present

Parliament They were thus placed in a position of dignified independence to exercise the important powers of control entrusted to them under the Act The Act of 1869, however, profoundly modified this position of the Council It provided that all appointments to the Council were thereafter to be made by the Secretary of State The members were to hold office for ten years only, and for special reasons to be communicated by the Secretary of State to Parliament they might be re-appointed These modifications at once lowered the position of the members, destroyed the independence of the Council, and virtually left the Secretary of State supreme in the direction of affairs The Council was, in fact, reduced to the status of a subordinate Consultative Board, to be composed of the nominees of the Secretary of State—stripped of its original dignity and independence, and left unfitted for the proper discharge of its high constitutional functions The Act of 1876 empowered the Secretary of State to appoint three of the members for life, thus throwing additional power into his hands Moreover, the machinery of the Secret Department enables the Secretary of State to order a course of action which may practically render large expenditure inevitable, without the knowledge of his Council

Subject to the control of the Secretary of State, which often is only nominal, the Government of India can administer the Indian revenues practically as they please The testimony of Sir A Colvin and Sir D Barbour on this point is of great importance Sir A Colvin was careful to point out that the present weakness of the Finance Minister's position dates virtually from 1885 That being so, it is evident that the dissent of Lord Cromer, as also of Lords Northbrook and Ripon, from their view, is beside the point It is true that Lord Lansdowne and Lord Roberts do not endorse the view of the two Finance Ministers But this was only to be expected, seeing that they themselves are the party against whom the complaint was directed When Sir A Colvin and Sir D Barbour say that with the Viceroy on his side, the Finance Minister is as strong as he ought to be, and when they complain of the weakness of his position during their time, the only inference to be drawn from that is that the Viceroys under whom they served—viz, Lords Dufferin and Lansdowne—were not of an economical turn of mind, and of course we cannot expect Lord Lansdowne to concur in that view

*The Government of
India and the
Finance Minister*

The whole position may thus be summed up —

Summing up

1 The buffer of the Company's Government, which fairly protected Indian interests, is gone, and there is no effectual substitute

2 We have no effective constitutional safeguards against the misapplication of our revenues for extra Indian requirements

3 The control vested in the Council of the Secretary of State under the Statute of 1858 is rendered almost nugatory by the alteration of its status under recent Amending Acts

4 The control of Parliament, as against the Secretary of State, has become entirely nominal, owing to the latter being a member of the Imperial Executive, with a standing majority behind him The old periodical inquiry by Parliament and its jealous watchfulness are gone In fact we have at present all the disadvantages of Parliamentary Government without its advantages In the case of all Departments except the Indian, ex Ministers think it their duty, and also feel it to be their interest, to exercise the closest watch on the proceedings of their successors with a view to passing the most adverse criticism that may be possible In regard to India alone, ex Ministers vie with and sometimes even go beyond their successors in extolling all that exists and all that is done The responsible Opposition in this country thus abdicates its functions in the case of India only

5 The Government of India, as at present constituted, cannot be much interested in economy Almost all internal administration having been made over to Local Governments under the Decentralization Scheme, questions of foreign policy, large public works, and military questions absorb almost the whole attention of the Government of India Further, the Finance Minister excepted, every other member of Council, including since 1885, the Viceroy, has a direct interest in the increase of expenditure

6 Neither in England nor in India is there the salutary check of public opinion on the financial administration Parliament is ill informed and even indifferent. And the Supreme and Local Legislative Councils are simply powerless to control expenditure, since the Budgets have not to be passed, and no resolutions in reference to them can be moved

Here, again, I rely more upon the moral effect of the course proposed than upon any actual results likely to be directly achieved

The last suggestion that I have to make on this subject is that as far as possible Indian Viceroyalties should be selected from among men who have earned a distinct position for themselves for their grasp of intricate problems of finance. Among the First Ministers of England, no greater names can be mentioned than those of Walpole, Pitt, Peel, Disraeli, and Gladstone. And all these men were great Finance Ministers. I know men in the very front rank of English politics do not care to go to India, but all the same, if men noted for their knowledge of Finance, like Mr Goschen, for instance, were induced to accept the Viceroyalty of India the arrangement would produce decidedly beneficial results. It would be a great advantage to all if the Viceroy instead of being his own Minister for Foreign Affairs, were to be his own Finance Minister. At any rate, his immediate connection with the Foreign Department should cease, the Department being placed like other Departments in charge of a separate member of the Executive Council.

5th—Special knowledge of Finance to be a necessary qualification of the Viceroy

I now come to the very interesting and important subject of Provincial Finance. While gratefully acknowledging that the Decentralisation Policy has done a great deal of good, even as far as it has gone, I think the time has come when an important further step ought to be taken. It is now fifteen years since this policy was carried to the point at which it now stands by the Government of Lord Ripon. The fact that nearly the whole internal administration of the country is in the hands of the Provincial Governments, explains why the people of India are so anxious to see the position of Provincial Governments in the matter of Finance strengthened much more than what it is at present. The expenditure administered by the Provincial Governments is principally devoted to objects which are intimately connected with the well-being of the people, and the larger, therefore, this expenditure, the better for them. The chief effects of the existing arrangements are the following—

Provincial Finance

1. The "so called Provincial Contracts"—to use Sir James Westland's expression—are really only one-sided arrangements practically forced on the weak Provincial Governments by the Government of India, which is all powerful in the matter. The contracting parties not being on a footing of equality, the Government of India virtually gives the Provincial Governments such terms as secure the maximum advantage to itself, and the power which it possesses of disturbing the contracts even during the period of their currency leaves the Provincial Governments in a state of helplessness and insecurity, and all this is very prejudicial to the interests of the internal administration of the country. A reference to the tables given on pages 47 and 48 of Appendix, Section I of the Evidence recorded by this Commission will at once show how at each successive revision the Government of India, while keeping to itself all the growth of revenue which had accrued to it as its share of the normal expansion, has in addition resumed a large portion of the share of growth that had accrued to the Provincial Governments compelling them thereby to cut down their expenditure in the first year or two of each new contract. Thus, taking Bombay as an illustration, we find that in 1886-7, the last year of the Contract of 1882, its expenditure was Rs. 3,998,912. This expenditure had, however, to be reduced to Rs. 3,814,500 in 1887-8, the first year of the next contract, and it was not till 1891-2 that the level of 1886-7 was again reached, when at the next revision, it was again put back. The same was the case with almost every other Province. How sore is the feeling of Provincial Governments on this subject may best be seen from the following remarks which the Lieutenant Governor of Bengal thought it his duty to make in the matter in the Supreme Legislative Council last year:—"I must say I deprecate the way in which these quinquennial revisions have too frequently been carried out. The Provincial sheep is summarily thrown on its back, close clipped and shorn of its wool, and turned out to shiver till its fleece grows again. The normal history of a Provincial Contract is this—two years of screwing and saving and postponement of works, two years of resumed energy on a normal scale, and one year of dissipation of balances in the fear that if not spent they will be annexed by the Supreme Government, directly or indirectly, at the time of revision. Now all this is wrong, not to say, demoralizing. I say the Supreme Government ought not to shear too closely each quinquennium. It is as much interested in the continuity of work as the Local Governments, and ought to endeavour to secure this and avoid extreme bouleversements of the Provincial finances. . . . It would be an immense gain to Local Administrations if the Government of India could see its way to renewing

the contracts with as little change as practicable on each occasion. It is only in this way that the element of fiscal certainty, which was put forward in 1870 as one of the main objects of decentralization, can be secured. Hitherto we have had but little of certainty. A similar protest was made last year by the Lieutenant Governor of the N W Provinces from his place in the Legislative Council of that Province, and this year the Government of Madras has addressed a very strong remonstrance against the surrender of an additional 24 lakhs of rupees a year demanded by the Supreme Government.

2 There is no fixed or intelligible principle on which these contracts are based—no uniformity in their plan, no equality in the burdens which they impose on the different Provinces. The share of Imperial expenditure which the different Provinces have to bear is not determined by any tests of population or revenue. A calculation made by Sir James Westland, and printed on page 400 of the second volume of the Finance Committee's Report, gives the following results—

The proportions or percentages of revenue surrendered by each Province to the Supreme Government are as follows—

	Per cent
India Districts (General)	26
Central Provinces	56
Burmah	58
Assam	51
Bengal	68
N W Provinces	76
Punjab	45
Madras	52
Bombay	46

The contribution of each Province per 100 of the population is as follows—

Province	Rupees contributed per 100 of population
	Rx
Central Provinces	71
Burmah	312
Assam	97
Bengal	107
N W Provinces	177
Punjab	82
Madras	123
Bombay	155

These figures are sufficient to show the totally arbitrary character of the present contracts. The fact is that these inequalities are a legacy of the pre decentralization period, when the expenditure of the different Provinces was determined—as men like Sir Charles Trevelyan, Sir John Strachey, General Chesney, and others have put it—not by the resources or requirements of those Provinces, but by the attention that their Governments succeeded in securing from the Central Government i.e. by the clamour that they made. And when the first step was taken in 1870 in the matter of decentralization, the level of expenditure that had been reached in the different Provinces was taken as the basis on which the contracts were made and the inequalities that then existed were, so to say, stereotyped. I think it is high time that an effort was made gradually to rectify these inequalities.

3 The third defect of the existing scheme is that while it operates as a check on the growth of Provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India.

The only way by which these defects could be remedied was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were the President, Sir Charles Elliot, late Lieutenant Governor of Bengal, Sir William Hunter, Mr.

Provinces that contribute less than half their revenue to the Imperial Exchequer cannot be suddenly called upon to reduce their own expenditure, and pay their full share with a view to reducing the share of those that at present contribute more than half. Existing facts after all must be respected, and the present level of expenditure in the different provinces must be left untouched. But the effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue, viz., 50 per cent, will be that, year by year, the relation which the contribution of a Province bears to its revenue will tend more and more towards equalization. Thus the Provinces which now pay, say 60 per cent of their revenue will, after paying only 50 per cent of their increase for some years be found to have dropped down to a ratio of 58 or 57 per cent. And similarly in the Provinces which pay less than 50 per cent at present, the ratio will constantly work itself up to 50 per cent.

• 4 The proposed scheme, while making ample provision for the necessities of the Central Government, imposes at the same time something like a check on its spending propensities. It secures to that Government the entire normal growth of the Imperialised items of revenue, and also half that of the Provincialised items, and leaves to it besides the power to demand more than half in times of need. But it is expected that in ordinary years more than half the normal growth of Provincial revenues will not be devoted to non Provincial purposes.

The adoption of the scheme will place the financial system of India once for all on a sound basis and will bring it more in a line with the federal systems of finance in other countries such as Germany, Switzerland and even Canada, and the United States. In these countries, so far as I have been able to gather, the Central and Constituent Governments have their separate resources, but the latter are called upon in Germany and Switzerland, to make special contributions on extraordinary occasions.

I am confident that the Provincial Governments in India will welcome such a settlement of the question. Before concluding this portion of my evidence I may be permitted to remark that it would have been a matter of general advantage if representatives of Local Governments had come here to give evidence on this subject before the Commission.

PROGRESS OF EXPENDITURE

*Progress of
Expenditure*

Our Expenditure shows a large and continuous growth since the transfer of the Government of India from the Company to the Crown and recent changes in the frontier policy have accelerated its pace in an alarming manner. Excluding railway receipts the average expenditure for the five years preceding the Mutiny was about 30 crores. It now stands at over 73 crores, nearly 2½ times what it was before the Mutiny.

Increase of Expenditure, taken by itself as a feature of national finance, is not necessarily open to any serious objection. Everything depends in this matter on the nature of the purposes for which the increase has been incurred and the results produced by such outlay of public money. In the United Kingdom in France, in Italy—in fact, almost everywhere in Europe—there have been large increases in national expenditure during the last thirty years, but the increase in Indian expenditure during this time differs from the increases elsewhere in a most fundamental respect. While increased expenditure in other countries, under proper popular control, has, so far as we are able to judge, helped to bring increased strength and security to the nations and increased enlightenment and prosperity to the people, our continually growing expenditure has, in our opinion under autocratic management defective constitutional control, and the inherent defects of alien domination only helped to bring about a constantly increasing exploitation of our resources, has retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities. Compelled to meet the demands of a forward Imperial Frontier policy and the exigencies of consequent Imperial defence and constantly borrowing for commercial enterprises, often undertaken in consequence of the pressure of English commercial classes, our Indian Government has little money

to spare, with all its increase of taxation, for purposes of national education. Nor has it been able, amidst constant embarrassments of the Military Budget, to forego some prospective land revenue by granting the boon of a permanent settlement to Provinces ripe and more than ripe for the concession under the conditions laid down in Sir Charles Woods and Sir Stafford Northcote's despatches (1862 and 1867), nor again has it found itself, during all these years, in a position to carry out pressing administrative reforms, like the separation of Judicial and Executive functions.

It is this feature that marks the difference between the growing expenditure of British India and that of other countries, and constitutes our national grievance in respect of administration of our national expenditure. Whereas the capacity of the country to bear increased burdens is growing perceptibly less, our expenditure, under the existing conditions of administration, is rising higher and higher, necessitating a heavy incidence of taxation, exhausting all our fiscal reserves, and what is still more alarming, thrusting on our hands expanding responsibilities.

Under the Company's Government, things were on the whole managed with economy, and increase of taxation was, as far as possible, avoided—a characteristic feature of our Pre Mutiny Finance. The conquest of the country completed, the Company's Government entered in 1852-3 upon a career of administrative improvement and internal progress, and did much in both directions *without increase of public burdens*. And during the next five years, the fiscal system was reformed, the Police was reorganized, the Judicial and other Establishments were revised with largely extended employment of natives in some of the higher branches, and great activity was shown in regard to Public Works. Over two crores a year were spent on canals and roads and buildings, and arrangements were made with Railway Companies for the construction of the main trunk lines of railway communication. And yet, the expenditure was under 30 crores. Then came the Mutiny. It was a serious national disaster. It added 47 crores to our National Debt, and our permanent annual expenditure increased at one bound by about 9 crores, the Civil Charges going up from 11.7 crores to 15.8 crores, the Army from 12.7 crores to 14.9 crores, and Interest from 2.9 to 5.5. The cloud of distrust, suspicion, and prejudice then raised still hangs over the country, and casts its blighting shadow over, more or less, the whole of our Indian Finance. In respect of Military Expenditure—so, too, in regard to the extended employment of natives in the higher branches of the Civil and Military Services of the Crown—the effects of the Mutiny are still broadly visible.

I beg to be allowed to put in two statements here, which I think will be helpful in comprehending at a glance the progressive nature of our expenditure. The first statement gives figures of total expenditure *minus* railway receipts, figures of the exchange charges, and, lastly, figures of total expenditure *minus* railway receipts, and exchange for the last forty years. The second statement divides the period from 1862 to 1895, into three periods—the first from 1862-70, that of Centralized Finance, the second from 1871-81, that of partially Decentralized Finance, and the third from 1882-95, that of Decentralized Finance—and gives the salient facts connected with our expenditure during all these years. Both these statements have been prepared from the annual Financial Statements.

STATEMENT I

Year	Expenditure in Crores— Railway Receipts	Exchange in Crores	Expenditure — Railway Receipts and Exchange
	28 04		28 040
1852 53	30 18		30 180
1853 54	30 89		30 890
1854 55	31 97		31 970
1855 56	31 97		31 970
1856 57	40 04		40 040
1857 58	50 19		50 190
1858 59	50 37		50 370
1859 60	46 74		46 740
1860 61	43 53		43 530
1861 62	42 97		42 970
1862 63	44 20		44 200
1863 64	45 58		45 580
1864 65	45 74		45 740
1865 66	44 10		44 100
1866 67			
11 months			49 060
1867 68	49 06		51 300
1868 69	51 30		50 120
1869 70	50 12		49 390
1870 71	49 39	433	48 727
1871 72	49 16	694	50 126
1872 73	50 82	882	53 778
1873 74	54 66	785	52 425
1874 75	53 21	1 355	51 285
1875 76	52 64	2 059	52 941
1876 77	55 00	1 554	55 666
1877 78	57 22	3 225	52 155
1878 79	55 38	2 926	57 344
1879 80	60 27	2 716	63 804
1880 81	66 52	3 556	55 254
1881 82	58 81	3 234	55 166
1882 83	58 40	3 434	54 126
1883 84	57 56	3 426	55 774
1884 85	59 20	3 23	60 350
1885 86	63 58	5 419	57 261
1886 87	62 68	6 466	59 784
1887 88	66 25	6 971	59 159
1888 89	66 13	6 663	59 207
1889 90	65 87	5 087	59 733
1890 91	64 82	6 937	61 803
1891 92	68 74	9 827	62 103
1892 93	71 93	10 285	61 535
1893 94	71 82	13 063	60 182
1894 95	73 25		

POST MUTINY PERIOD OF INDIAN FINANCE—DIVISION I

1862-63—1870-71.

(CENTRALISED FINANCE)

Elements of uncertainty during the period		Fiscal Reserves.	
1	War Office demands. (British Force amalgamated).	1	Balances.
2	Necessity for famine protection.	2	Taxation
3	Demands for Public Works Pressure of the commercial classes	3	Curtailement of optional expenditure Public Works, &c
4	Opium Revenue.		
5	Railway Finance		

NOTEWORTHY FEATURES

REVENUE		FAMINES		Cost in lakhs	1. Large Administrative improvements were requested after the Mutiny—civil.	
1862-63 ..	1870-71 ..	1865-66	Bombay ..			
45.1	51.2	1868-69	North West Provinces, Central Province, Punjab and Bombay ..	1.53	2. Provincial Administrations made increasing demands for varied local improvements, not being themselves responsible for funds	
Taxation during the period.		FRONTIER EXPEDITIONS		72	3 Public opinion in England urged measures for material progress (deemed neglected by the East India Company).	
Certificate tax 1868-69.		Sianna, Bhotan, Lushai.				
Income tax substituted, 1869-70.		Railway net loss to State			4 The commercial interests of England demanded improvements of communication and other public works	
Raised		1862-63	1870-71			
Salt tax raised in Madras and Bombay.		16	19		5 The recurrence of famines emphasized the obligation of the State as to protective works	
EXPENDITURE		HOME CHARGES				
1862-63	1870-71	Net expenditure				
Civil charges ..	15.88	1862-63	1870-71			
Army charges ..	14.89	£4.9 millions	£8 or millions			
Interest charge	5.47					
	5.8					
Total expenditure, including other heads ..	42.9					
Increase, 6.4	49.3					
OUTLAY ON PUBLIC WORKS DURING 1862-63—1870-71		Fresh War Office charges during the period				
Ordinary works ..	52.66					
Guaranteed Railways (from 48.8 in 1862-63 to 92.4) ..	43.5					
State outlay on prod Public Works ..	4.6					
	100.7					
NET DEFICIT during the period		Opium Revenue				
Surplus	Deficit	1862-63	1870-71	1881-82	Total expenditure rose from 42.9—49.3	
6.2	6.4=2	8.06 crores	8.04 crores	6.36 crores		
Debt ..	96.8				Expanding demands for expenditure.	
Increase 7.0	104.0					
	1862-63				(1) General administrative improvement	
Balances ..	23.1					
Decrease, 3 crores	20.1				(2) Public works—productive ordinary protective	
					(3) Provincial needs	
					(4) War Office demands.	
					2 and 4 beyond the control of Government of India	
					Necessity for limitation of expanding demands	
					In respect of 3 Provincial Decentralization carried out 1870-71	

POST MUTINY PERIOD OF INDIAN FAMINE—DIVISION II

1871-2—1881-2

(Partially Decentralized Finance)

Elements of uncertainty during the period	Fiscal Reserves
1 War Office demands	1 Balances
2 Famine and Protective action	2 Taxation
3 Public Works—Commercial demands	3 Curtailment of P W option expenditure
4 Opium revenue.	4 Famine grant
5 Exchange	
6 Railway Finance	
7 Exigencies of Imperial policy in Central Asia	

NOTEWORTHY FEATURES

REVENUE			DEBT		
1871-72	1881-82	1871-72 / 1881-82	1871-72	1881-82	
50 1	62 91	Railway receipts	106 9	136 8	
Taxation—			Increase 49 8		
Income tax reduced 1871-72			BALANCES		
Income tax revised 1872-3			24 8	17 14	
Provincial rates levied 1873-4			Decrease 7 6		
Income tax removed 1873-4			OPPIUM		
Tariff revised and reduced 1875-76			9 26	9 36	
Excise duty raised			FAMINES		
Opium duty raised 1877-78					Cost in lakhs
Licence tax 1878-79			1873-74	Bengal, North West Provinces	
New local rates 1878-9				Oudh	6 75
Salt duty raised in Madras and Bombay 1878-79			1876-78	Madras, Bombay, North West Provinces and Punjab	11 19
Cotton duty remitted 1878-79					17 94
Licence tax amended 1878-79					
EXPENDITURE					
1871-72	1881-82		AFGHAN WAR		
Civil charges	18 6	19 2	cost 22 2 crores—5 crores contributed by England		
Army	15 68	18 18	Net 17 2 crores		
Exchange	43	3 55	HOME CHARGES		
Total expenditure including other heads 49 1 38 81			Net expenditure—		
Increase 9 7 as against 5 4 of the previous period			1871-72	£7 7 millions net	
			1881-82	£11 1 millions net	
OUTLAY ON PUBLIC WORKS					
DURING THE PERIOD			FRESH WAR OFFICE CHARGES		
Buildings and roads	42 7	42 7	for improvement of British Force for the period £485 000		
1871-72 1881-82			Famine Insurance Fund formed and fresh tax on fund diverted		
Total outlay on guaranteed Railways	94 5	68 7	Provincial rates		
and State outlay on public works	6 2	59.8	1875-76	1 947	
100 7 128 5			1877-78	2 255	
			1879-80	2 882	
			1881-82	2 593	
(Excluding capital in railway annuities) total net outlay			Net increase 948 crores		
lay	27 7	27 7	Provincial contracts revised		
		70 4	Gain to Imp Revenue		
			First contracts 1871-72		331
			Contracts revised (1877-78)		400
			Railway net loss		
			1871-72	1881-82	
			1 7	2	

- 1 It was an abnormal period of war and famine
 - 2 English public opinion continuing to urge measures of material progress yet Public Works Expenditure had to be reduced which fell from 100 crores to 70 crores during the period
 - 3 The famines and the vast expenditure required led to the formation of a Famine Insurance Fund yet the Fund diverted to war
 - 4 Fresh War Office charges amounting to 48 lakhs due to amalgamation came upon the Indian Budget for increase of military efficiency
 - 5 What disturbed Indian Finance most was a change of policy on N W Frontier Imperial policy in Central Asia entered upon a new phase with Russia a conquest of Khiva Afghanistan given up as a neutral zone, and the Amir promised material and moral aid against unprovoked foreign aggression, a change of policy which converted Afghanistan virtually into a British Frontier Protectorate The line of the Indus given up as the Border line of British India Indian Finance loaded with cost of schemes of Imperial territorial expansion in central Asia and a preponderance came to be given to military considerations in our financial arrangements Here Indian interest was subordinated to the exigencies of Imperial policy
 - 6 Exchange difficulty increased
- Total expenditure increased by 9 7 crores
- Expanding demands
- 1 General Administrative improvement,
 - 2 Public Works—pressure of English commercial interests
 - 3 War Office demands—amalgamation
 - 4 Treasury Office demands—central Asian Imperial policy
 - 5 Exchange
 - 2 3 4 and 5 all beyond the control of Government of India
 - 1 Further decentralization

POST MUTINY PERIOD OF INDIAN FAMINE—DIVISION III

1881-2-1894-5

(Finance Decentralized as at present)

Elements of uncertainty during the period	Fiscal Reserves
1 War Office demands	1 Balances
2 Military Expenditure.	2 Taxation
3 Famine	3 Curtailment of Public Works optional expenditure
4 Public Works — commercial pressure as to Railways.	4 Famine grant
5 Opium Revenue	5 Contributions from Provincial Governments.
6 Exchange	6 Periodical revision of Provincial contracts
7 Railway Finance	7 Transfer of Public Works from Revenue to capital
8 Imperial Policy in Asia — conquests and Frontier protectorates	

NOTEWORTHY FEATURES

REVENUE	FAMINES	
minus railway rece pts	Scarce as in Madras and Bombay	
1881-82 62.9 crores		
1894-95 73.0		
TAXATION	WAR AND CONQUEST	
1882-83 Import duties abolished salt duty reduced and so too opium duty	Upper Burma British Beluchistan Gilgit Agency Somali Coast Afghan Protectorate developed and confirmed (Durand Treaty) Expansions beyond the Frontier	1 The period was a disturbed period of war panic and military precautionary measures and territorial annexations — costing us about 70 crores during it
1886-87 Income tax substituted for licence tax		2 English public opinion pressing for material progress the commercial interests demanding railway extensions the local services clamouring for increased pay and promotion and exchange compensation The strain on Indian Finance was severe
1888-89 Petroleum duty imposed salt duty raised		3 Developments of Imperial policy in Asia involving us in large trans frontier and other liabilities Upper Burma and other frontier provinces thrust on our hands for administrative development which means vast future outlay
1894-95 Customs duties		India now in touch with the great powers of Asia is necessarily pledged to vast military expenditure
EXPENDITURE	INCREASE OF INDIAN ARMIES (1886-88)	Indian defence weakened
	An Imperial Reserve	Indian Finance at the mercy of military considerations.
	HOME CHARGES NET EXPENDITURE	Indian armies increased
	1881-82 £11.1 millions	4 Exchanged difficulty enormously increased concurrently with a fall in opium
	1894-95 £15.6	Grant of exchange compensation allowance
		Total expenditure increased by 14.44 crores as against 9.7 and 6.4 of the previous periods
	PROVINCIAL RATES (Due to decentralization)	Expanding demands
	1881-82 2.895	(1) Public works
	1885-86 2.960	(2) War Office demands.
	1889-90 3.410	(3) Demands of Central Asian policy
	1894-95 3.541	(4) Exchange
	Increase 646	All beyond the control of the Government of India
	Provincial contracts revised.	Taxation having reached its utmost limits the enormous growth of expenditure during the period leaves us no fiscal reserve yet elements of uncertainty and instability of Indian Finance have largely grown and the Government of India is compelled in the interests of financial solvency to be able to meet fluctuating and expanding uncontrollable demands to keep tight its hold on every fiscal resource limiting the means of the provincial administrations on the one side and reserving its freedom of action in regard to Famine Grants Productive Public Works expenditure and Provincial Contributions.
	Gain to Imperial Treasury	
	2nd revision (1882-83) nil	
	3rd (1886-87) 640	
	4th (1892-93) 466	
	PROVINCIAL CONTRIBUTIONS	
	1886-87 400	
	1889-90 740	
	1890-91 490	
	1894-95 405	
	Provincial contribution restored in 1882-83 670	
	RAILWAY NET LOSS.	
	1881-82 2	
	1894-95 2,343	
DEBT		
1881-82 1894-95		
156.8 215.3		
Increase 61.5		
OPIMUM REVENUE		
1881-82 1894-95		
9.36 7.34		
BALANCES		
1881-82 1894-95		
17.14 25.2		
Increase 8.06		

Civil charges	1881-82	1894-95
	19.26	25.55
Army	18.18	24.31
Exchange	3.5	13.0
Total expenditure including other items	58.81	73.25
Increase 14.45 as against 9.76 of preceding periods		

OUTLAY ON PUBLIC WORKS		
Ordinary Public Works		75.36
Guaranteed Railways	68.7	71.1
State outlay on Public Works	59.82	115.5
	128.5	186.6
Total net outlay (excluding capital in Railway Annuities = 30 millions)		58.0

FRONTIER STRATEGIC RAILWAYS		
	14.4	14.4
	crores	
	147.76	

OPIMUM REVENUE		
1881-82 1894-95		
9.36 7.34		
BALANCES		
1881-82 1894-95		
17.14 25.2		
Increase 8.06		

*Imperial and
Provincial Net
Expenditure*

It is interesting to note how the growth of net expenditure has been divided between Imperial and Provincial since 1882, when Provincial finance was placed on its present basis. Putting together Tables 1 and 21 of Sir H. Waterfield we have the following result —

Year	Total Net	Provincial Net	Imperial Net
	In crores of Rs.	In crores of Rs.	In crores of Rs.
1882-83	41 79	10 98	30 81
1883-84	41 66	10 83	30 83
1884-85	41 90	11 62	30 28
1885-86	45 43	12 27	33 16
1886-87	44 55	12 12	
1887-88	47 37	12 35	35 02
1888-89	46 44	12 52	33 92
1889-90	47 34	13 10	34 24
1890-91	45 66	12 64	33 02
1891-92	49 50	13 60	35 90
1892-93	52 43	13 40	39 03
1893-94	51 87	13 33	38 54
1894-95	52 74	13 13	39 61
Increase in 1894-95 over 1882-83	10 95	2 15	8 80

It will be seen that while the expenditure of the internal administration of the country has been allowed to increase in thirteen years by only a little over two crores of rupees, the expenditure administered by the Government of India has increased during the time by nearly nine crores. It may also be added that during the three years of Lord Ripon's Viceroyalty which belong to this period the net Imperial expenditure was not only not increasing, but actually showed a tendency to decrease.

*Military
Expenditure*

No student or critic of Indian Finance will fail to be struck by the position which Military charges occupy in the administration of Indian expenditure. It is indeed difficult to enter into a thorough examination of this branch of our expenditure without raising a discussion about certain matters of policy which have been held to be outside the terms of this Commission's reference. My friends Mr. Morgan Browne and Mr. Wacha, have however already placed the views of the Indian people on some aspects of this subject before the Commission, and I have no wish to go over the same ground again. I will therefore content myself with a statement of certain additional facts connected with our military expenditure, leaving the Commission to draw its own conclusions from them.

Its strength (1894-95)

Standing Army	239 778
British Troops	73 119
Miscellaneous British Officers	921
Native Troops, including British Officers	145,738
Native Army Reserve	13 862
Volunteers	29 089
Total of armed strength on mobilisation	262 729
a strength even smaller than Japan commands, and about equal to that of Greece.	

Its cost (1894-95)

Ordinary expenditure	Rs. crores
Military works (ordinary)	20 0
	1 1
Total (ordinary)	21 1
Special expenditure during the year	6
Exchange	3 6
	<u>25 3</u>

Ratio of ordinary military expenditure to total expenditure for the year $\frac{25 3}{73 2}$ —
 nearly 35 per cent, thus comparing with what we have in other countries

United Kingdom—Army Expenditure	Millions £
	17 8
, Total	$\frac{17 8}{91 3} = 19$ per cent
France—Army Expenditure	25 9
Total	$\frac{25 9}{138 0} = 19$, ,
Italy—Army	9 4
Total	$\frac{9 4}{72 4} = 13$, ,
Japan—Army	2 6
Total	$\frac{2 6}{16 2} = 16$, ,
Greece—Army	5 8
Total	$\frac{5 8}{4 2} = 13$, ,
British India—Army Expenditure	25 4
, Total	$\frac{25 4}{73 2} = 35$
	or omitting exchange $\frac{21}{73}$ or 30 per cent
Russia—Army Expenditure	23 9
Total Expenditure	$\frac{23 9}{115 0} = 21$ p cent nearly

The growth of our military expenditure excluding all exceptional items—exchange and even military works—has been as below —

Years	Average Strength			Average Expenditure in crores.
	British	Native	Total	
1837-38— 1856-57 (20 years)	43 826	222 915	266 741	10 85
1861-62— 1873-74 (13 years)	62 453	123 881	186 340	15 68
1874-75— 1880-81 (7 years)	61 884	122 556	184 441	16 17
1881-82— 1884-85 (4 years)	57 975	119 939	177,714	16 55
1885-86— 1894-95 (10 years)	70 04	140 682	211 387	18.25
1894-95	74 040	145 738	219 7,8	20 1

Taking, according to Mr. Kellner's estimate, seven native soldiers as financially equal to three European soldiers, we may summarise the periodical expenditures on our Army thus —

Period	Total Strength European Stan- dard	Total cost in crores	Charge per com- batant in rupees
1837 8—1856 7	139 383	10 85	778
1861 2—1873 4	115 550	15 68	1357
1874 5—1880 1	114 408	16 17	1413
1881 2—1884 5	109,291	16 55	1515
1885 6—1894 5	130 996	18 25	1393
1894 5	140 400	20 1	1430

During the twenty years preceding the Mutiny a most eventful period of war and conquest we had under the Company's rule an armed force about as strong as now, but maintained at nearly half the cost, the charge per combatant being Rs 775. The Mutiny came, and the transfer of India to the Crown followed. Army Amalgamation was carried out, the staff corps formed, and other changes in Army organisation effected, and our military expenditure rose at a bound to 14 89 crores from 10 85 the average of the pre mutiny period. It has gone on ever since steadily increasing till we come to the present year when it stands at full 20 crores exclusive of exchange, the strength being about the same as before the mutiny.

(A) Looking to the composition of the Army we have 74 040 British troops to 145,738 native troops, or almost exactly in the proportion of 1 to 2. During the twenty years preceding the mutiny, the proportion of British to native troops was 1 to 5, and sometimes much lower. The outbreak of 1857 followed a Royal Commission inquired into the matter in 1859, and in its report submitted the following recommendation to Her Majesty — "As regards the third question, the proportion which European should bear to Native Corps in Cavalry, Infantry and Artillery respectively, your Majesty's Commissioners are of opinion that the amount of native force should not, *under present circumstances* bear a greater proportion to the European, in Cavalry and Infantry, than 2 to 1 for Bengal, and 3 to 1 for Madras and Bombay respectively. The proportions thus laid down were recommended in view of the circumstances of the disturbed period, and were not absolute, precluding all future modification as things should change. The present organization, however practically rests on that recommendation, the proportion being as a whole as 2 to 1—the differential proportions recommended for Bombay and Madras being ignored.

Taking the recommendations of the Royal Commission, and looking to the local distribution of the armies, we have

Native troops.	British troops	Excess of British troops over the accepted standard
Bengal (1) 84 614	46,379	4 072
Madras (1) 32,306	14 195 }	7,266
Bombay (1) 23 870	13 466 }	
		11 338

(B) The strength of our existing Army is, further, in excess, by the recent increases of 30,000 troops, of the military needs of the country, as laid down by the Army Commission of 1879, who even contemplated among other things, in framing their estimate of our requirements, "the contingency of operations beyond the Frontier, not merely against Russia with Afghanistan as our ally but against Russia assisted by Afghanistan," and, as Mr. Ilbert and Sir A. Colvin in their dissent point out, no circumstances have risen which necessitated these augmentations.

(C) But again the existing organisation of our Army is so faulty that it imposes a needlessly grievous burden on the Indian Exchequer. Our Army is always practically on a war footing, we have no peace establishment proper, and the strength we could mobilize in an emergency is—including volunteers and reserves—not more than 252,719 men all told. And it is for such meagre armed strength that we have to spend under the present vicious system 25 crores and more a year. While most countries in Europe have adopted short service and the system of reserves—a system which gives them a maximum of combatant strength at a minimum of cost, India alone has to keep up her armies on a war footing even in time of peace, and has to pay a heavy penalty—getting no commensurate return for the money she spends. In these days the armed strength of a nation is measured, as stated by Lord Wolseley, not by the number of men under arms in its standing Army, but by the total number of trained soldiers it could put together for active service—when needed—service with the colours being but a course of training for the recruits, much more than active preparedness for war, and in an emergency the reserves being relied upon as the first line of national defence. While the United Kingdom spends about eighteen millions on her army, and has a total armed strength of 588,785 men, France spends about twenty six millions, and has an active army of 572,102, with reserves numbering 1,778,000 or a total of 2,350,000, Germany spends twenty seven millions, and maintains an active army of 562,014, and can mobilize in time of war, with her splendid reserves, a total force of 3,000,000, even Japan, an oriental country which has so successfully copied the European system, spends two and a half millions on her armies, keeping up a standing force of 37,719, and is able to mobilize a force of 269,748, British India, though she spends even more than the United Kingdom itself on her armies (25 crores), has but a standing force of 219,778, and with the reserves and volunteers, of 252,729, to show a strength even smaller than that of Japan, and scarcely $\frac{1}{2}$ of Germany.

England adopted Short Service in 1871-72, but did not extend the benefit to the Indian Army. How wasteful our existing system is, may be more clearly seen, when we find that we have had to add three crores to our military Budget to increase our armed force by 30,000 troops.

(D) Taking the two component parts of the Indian Army —

(a) BRITISH TROOPS

(1) Here we pay for Short Service, but the advantage of the system goes all to England. The peculiar merit of the system is that it gives a large reserve. Our English reserve is in England, and is not always available to us. Hence the British troops in India are all placed on a war footing.

In respect of the recent increase, the argument strongly urged was that we could not always depend on England for reinforcements—possibly least when we should need them most. Though the Indian revenues contribute so largely to the maintenance of the Army reserve in England, we could not always count upon getting the British troops augmented in India when we should have to take the field on a large scale.

(2) We have yet the peculiar disadvantage of Short Service—a paucity of seasoned soldiers in the standing force. Lord Wolseley has told us that men of under two or two and a half years' service are seldom sent on active service, and whenever mobilization takes place for field service in European countries, it is the reserves that are largely drawn upon. As we have no reserve in India, we pay for a force which is not all available for field duty.

(3) We have, further, to pay for a higher standard of efficiency than is needed. In any country the efficiency of its army is always proportioned to its requirements, and is dependent on military conditions of offence and defence which exist. In India we have not the same military conditions with which England has to deal in Europe, we

have not here in Asia gigantic military camps such as there are in Europe, and yet, under the amalgamation carried out after the Mutiny, we have to pay our share in full, calculated, too, on an arithmetical basis, for the maintenance of a standard of military efficiency which English—not Indian—conditions render necessary

(b) THE NATIVE ARMY

Our Native Army, though theoretically a long service army, is practically in the main a short service one. Under the regulations a man can claim his discharge after three years' service, and it is calculated that as many as 80,000 trained native soldiers return to their homes in ten years' time. The Army Commission of 1879 proposed the formation of reserves in order to retain a portion of these 80,000 men bound to the obligations of service, and also in the hope that the reserves so formed in time of peace might "enable the Government to reduce the peace strength of the Native Army, and expressed their view that such a restricted reserve system could cause no political danger to the country. The proposed reserves were calculated to absorb 58,200 men out of the 80,000 retiring from the Army every ten years.

The formation of such reserves to the Native Army was decided on in 1885-6 and Lord Dufferin's Government proposed to begin with two kinds of reserves—regimental and territorial of which the latter system was evidently the more suitable of the two, and could have succeeded better. But the Secretary of State vetoed the proposal as far as it related to the formation of territorial reserves apprehensive of political and military dangers of such a step, and sanctioned only regimental reserves. Accordingly we have now the feeble and straggling reserve that there is, numbering about 14,000.

Of course, as far as it goes it is a step in the right direction, however halting, and a strong effort ought to be made to organise on a sound basis a large effective reserve to the Native Army, so as to permit of reduction in its strength which, while increasing the total armed strength of the country, would bring material relief to the finances of the country. The wasteful costliness of the existing system is obvious.

(E) We next come to the officering of the Native Army. Before the Mutiny there were two classes of native regiments, "regular and irregular." In the regular regiments, the nominal staff of British officers was 25 strong of whom about 12 were actually present, the rest employed in civil and other departments. In the irregular regiments, there were only 3 British officers the rest of the staff being entirely native. When the armies were reconstructed after the Mutiny in 1861, the irregular system was adopted throughout the Native Army—first in Bengal and later in Madras and Bombay—with the change that the number of British officers per regiment was increased from 3 to 7. In 1874-5 the strength of English officers was increased by the addition of 2 probationers to each corps. In 1882-3 one more officer was added to the cadre so that now we have 8 British officers in each regiment ousting the Native officers virtually from the entire field of higher regimental command. Before the Mutiny and in the irregular regiments the British officers commanded wings and squadrons leaving the command of the troops and companies to Native officers. Since the transfer and the reconstruction of the armies, the field of employment for Native officers has steadily contracted, and they have not now even the command of troops and companies, and hold a lower status in the Army. In their place a costly European agency has been put in, thereby imposing a great burden on the finances.

Even in the lower positions the number of Native officers has sensibly fallen off during the past twenty years. In 1876-7 the number of these officers was 2,812, in 1895-6 it is 2,759 a decrease of 53 officers, though the strength of the Army has risen during the period from 120,672 to 141,257 (i.e., 20,000). On the other hand the number of British officers shows an increase of 749 officers (from 1,431 to 1,580).

(F) Lastly, we come to a feature of the existing army organisation—the most wasteful of all.

The Indian Staff Corps System—(a corps of officers intended for the Native Army as well as for civil employ in the political, police, survey and other departments, and in the Frontier and non-regulation provinces).

When the amalgamation was carried out in 1861, there was a complete change in the system of officering the Native Army. The old supply from British regiments was stopped, and a staff corps was established in each presidency for the purpose. All officers of the Army, except those who declined, were transferred to the new corps. The promotion in the new corps was entirely by length of service, not by succession to a vacancy, so that lieutenants became captains, and captains majors, and so on, though the promotions were not needed for the work of the Army. The system is still in force, which is as under—Ensigns on transfer to the corps to become *Lieutenants*, *Lieutenants*, after eleven years' service, to be *Captains* after twenty years' service to be *Majors*, and after twenty six years' service to be *Lieutenant Colonels*.

Further privileges were in 1866 conceded to the staff corps. Previous to that year a certain number of Lieutenant Colonels succeeded on vacancies occurring to Colonels' allowances. These carried with them an extra pension of £664 a year. In 1866 the Secretary of State allowed all officers then in the staff corps, and all who might join, to succeed to Colonels' allowances after twelve years' service in the grade of Lieutenant Colonel without reference to any fixed establishment of Colonels with Colonels' allowance. Thus, every officer could in future rely on getting Colonel's allowance if he lived and clung to the service till he had served thirty eight years. The general result of this extraordinary system of promotions and pensions has been that the upper ranks of the service are filled with officers for whom there is no work.

The Colonels' allowances, previous to 1866, were granted only to a certain number on ground of special merit, at the rate of 1 to 30 officers. Since then, it has been indiscriminately allowed to all, and we have now 501 officers in receipt of Colonels' allowances on a staff corps of 2,826 strong, i.e., more than 1 in 6 officers.

The grant of such allowances is now placed under new conditions, but the heavy burden on the exchequer, due to the measures of the past, taken in the interest of the officers, grows heavier every year. The old system of promotion is still in force, regulated not in accordance with the needs of the services but in the interest of the officers, as if the Army was for the officers and not the officers for the Army.

The whole question regarding the constitution, terms of service, rates of pay and pension, in regard to this costly and privileged corps, requires to be carefully examined. As it is, the whole system rests on an unsound basis: the corps is over-numerous, and drawing privileged rates of pay and pension, inflicting a heavy burden on the national exchequer.

In every department of Indian expenditure the question of agency is one of paramount importance. According to a Parliamentary return of May, 1892, we have in India, in the higher branches of the Civil and Military Departments, a total of 2,358 officers, drawing Rs. 10,000 a year and upwards, of whom only 60 are natives of India, and even these, with the exception of such as are Judges, stop at a comparatively lower level. And they are thus divided—

The Services.

	Natives	Lurians	Europeans	Total Salaries of Natives	Total Salaries of Europeans	Total Salaries of Europeans.
In thousands of rupees						
Civil Department	55	10	1,211	9.47	1.51	2,52.74
Military "	1	1	854	12	11	1,32.68
Public Works Dep	3	4	239	33	45	34.15
Incorporated Local Funds	1		9	10		1.13
Total	60	15	2,313	10.02	2.07	4, 0.70

In addition to these, the Railway Companies employ 105 officers, drawing Rs. 10,000 a year and more. They are all Europeans, and their total salaries come to 16 lakhs, 23,000 rupees.

If we come down to officers drawing between Rs. 5,000 and Rs. 10,000 a year, we find that we have 421 natives in the Civil Department, as against 1,207 Europeans.

and 96 Eurasians. In the Military Department there are 25 Natives, as against 1 699 Europeans and 22 Eurasians. In the P W Department there are 85 Natives, as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are four Natives, as against 22 Europeans and three Eurasians. The total salaries of officers of this class are thus divided—Civil Department—Natives, 29 05 thousand, Eurasians, 6,50 thousand and Europeans, 88,30 thousand. In the Military Department—Natives, 1 64 thousand Eurasians 1 39 thousand, and Europeans, 1 36 98 thousand. In the P W Department—Natives, 5,37 thousand, Eurasians 2,78 thousand and Europeans, 39 62 thousand. And in the Incorporated Local Funds—Natives, 25 thousand Eurasians 17 thousand, and Europeans, 1,46 thousand. In addition to these, there are under the Railway Companies 258 officers of this class, of whom only two are Natives eight being Eurasians and 248 Europeans. Their salaries are thus divided—Natives, 12 thousand Eurasians, 50 thousand, and Europeans 17 lakhs 10 thousand.

In England £125 360 is paid as salaries by the Indian Government, and £54,522 by Railway Companies, all to Europeans.

The financial loss entailed by this practical monopoly by Europeans of the higher branches of the Services in India is not represented by salaries only. There are, besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890.

The excessive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend, in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every schoolboy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson or a Wellington and which may draw forth the best efforts of which he is capable—that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self governing people feel cannot be felt by us. Our administration and military talents must gradually disappear, owing to sheer disuse, till at last our lot, as hewers of wood and drawers of water in our own country, is stereotyped.

The Indian Civil Service is nearly 1 100 strong. Under the rules of 1879, since abolished, we were entitled to one sixth of the whole recruitment, and in course of time we should have had about 180 Natives in the Indian Civil Service. The Public Service Commission, appointed by Lord Dufferin, proposed the abolition of those rules and recommended that 108 posts usually held by Covenanted Civil Servants should be set aside for Indians. The Government of India and the Secretary of State thought this recommendation too liberal, and ultimately decided to throw open only 93 such posts to which the Natives of India may be appointed, after certain existing claims were satisfied.

That these higher posts are guarded with extreme jealousy as practically a close preserve may be clearly seen from the following illustration. Mr Jacob gives in Appendix 16 of Section II the total number of District and Sessions Judges in India as 126. Out of these only five are Natives. Now the capacity of Natives for the efficient discharge of judicial duties has been over and over again recognised and the Public Service Commission expressly recommended that one third of all District and Sessions Judgeships should be given to Natives, which meant 42 out of 126. Instead of this 42, however, we have at the present day only five Native District and Sessions Judges.

So again in the Police. Out of 230 District Superintendents only three are Natives. Only five Natives qualified to do the work of District and Sessions Judges and only three for the work of Police Superintendents, in all India, after close on a century of British rule!

The same is the case with the Forest, Accounts, Opium, Mint, Scientific and other Departments.

In the Public Works Department, we have a total strength of 800 engineers, of whom only 96 are natives. The Indian Civil Engineering Colleges have been working for years, and yet not more than 96 of their trained graduates are to be found in the higher branches of the engineering service. In this connection I may mention that the Finance Committee of 1886 recommended that the connection of the Indian Government with the Cooper's Hill College be terminated as soon as possible, and

that there be a larger recruitment of students of Indian Colleges. This recommendation, however, was not accepted by the Government of India.

I may also be permitted to make one or two general observations here on this Public Works Department. This Department has been for a long time over-manned, and Lord Dufferin's Finance Committee thought it necessary to pass some severe criticism on the point. The sanctioned strength is 760. The actual strength in 1884-5 was 898, in 1893 it was 857, and now it is about 800, which is still 40 in excess of the sanctioned strength. Ever since the expansion of the Department in 1860—and notably from 1868 to 1875—we have had the superior staff arranged less with reference to the work to be done than to the condition of things as regards the position of officers. There has frequently been hasty and irregular recruitment during the periods of expansion, followed by blocks in promotion, requiring in their turn corrective efforts in the shape of special allowances or better pay and pensions, not founded on a consideration of the Executive needs of the Department. And more than once officers have been specially induced to retire from the service on very favourable conditions as to pensions, to reduce the redundancy of officers.

The Finance Committee of 1886 recommended that Royal Engineers in the Indian Army should be put on the Civil Staff, remarking that "it is necessary to maintain a considerable establishment of Royal Engineers in India for military requirements. Such of them as are not needed for purely military duty in time of peace can be best employed in the Public Works Department, and should, in our opinion, have the first claim for employment in that Department in preference to all others," and the Committee suggested that the Military Works Branch of the Department should be abolished as a separate branch for the Military Works and amalgamated with the General Department. The suggestion as to the abolition of Military Works branch has not been carried out, and only 70 Royal Engineers from a total of 273 are at present on the Civil Staff, the greater number of the remaining 200 or so doing little or no work. It may be added that these suggestions of the Finance Committee had the full approval of the then Commander in Chief.

This allowance was granted to all non domiciled European and Eurasian employes about the middle of 1893, and the figures for the last three years have been as follows—

*Exchange
Compensation
Allowance*

Year	Amount in Rs.
1893-94	618,468
1894-95	1,239,275
1895-96	1,327,632

The allowance consists in converting half the salary of each officer into sterling at the rate of 1s. 6d., subject to the maximum of £1,000, and then converting it back again into rupees at the current rate of exchange. Practically it has amounted to a general increase of salaries. Now, in the first place, it is admitted that these employes of Government had no legal claim to the compensation. The pay of the European soldier in India is fixed in sterling, and the Government have now to make to him a much larger rupee payment than before. Nobody, however, has ever suggested that this rupee payment should be reduced. If anyone had made the suggestion, he would have been told that the soldier was entitled to it. The guaranteed companies are now getting 5 per cent on their capital, though they do not earn so much, and though Government can to-day borrow at the rate of 2½ per cent. If anyone were to say that 5 per cent is too high now to pay, and that the companies should be asked to be satisfied with less, he would be told a contract is a contract. My point in giving these illustrations is this—if existing contracts are not to be disturbed in favour of the Indian Exchequer, why should they be disturbed against it?

Secondly, if the European employes of Government suffered from the fall in exchange, Government itself, as representing the taxpayers, suffered much more from the same cause. When such a general misfortune had overtaken all classes, to single out a particular class for special relief by imposing additional burdens on the remaining classes, and these not well able to bear them, was entirely unjust.

Thirdly, though it is quite true that the fall in exchange had considerably lowered the gold value of the rupee salaries, the salaries themselves were so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange they were very high. I think it will be admitted that non-official Englo-

State Meanwhile the allowance continues to be paid to these officers pending such disposal

The meagreness of the Government assistance to public education in India is one of the gravest blots on the administration of Indian expenditure. No words can be too strong in condemning this neglect of what was solemnly accepted by the Court of Directors in 1854 as a sacred duty. During the last four or five years the Government grant to education has been absolutely stationary. In 1891-92 it was Rs. 88,91,731, in 1894-95 it was Rs. 91,09,72, showing an increase of only two lakhs and 18 thousand rupees in four years. But even this increase was only an addition to the salaries of European officials in the Department in the shape of exchange compensation allowance, as may be seen from the fact that, while there was no charge for this allowance in 1891-92, in 1894-95 the compensation to educational officers was one lakh and 88 thousand rupees. Side by side with this might be noted another fact, viz., that during these same four years the Government expenditure on public education in Great Britain and Ireland increased from five millions to nearly nine millions sterling, and the contrast is too powerful to need any comments. One cannot help thinking that it is all the difference between children and step children. There are more than 537 thousand towns and villages in India, with a total population of about 230 millions, and yet there are less than a hundred thousand public primary schools for them. The population of school going age in India is about 35 millions, out of whom only about four millions, including those attending private or unaided schools, are under instruction, which means that out of every 100 children of school going age 88 are growing up in darkness and ignorance, and consequent moral helplessness. Comment on these figures is really superfluous.

I may add that in 1888 the Government of Lord Dufferin issued a resolution which amounted to a virtual change of policy in the matter of education. Only four years before that Lord Ripon had issued a resolution, addressed to all Local Governments, urging them to increase their expenditure on education, and even offering assistance from the Imperial Exchequer, where absolutely necessary. In 1898, however, Lord Dufferin directed the Local Governments in express terms to gradually reduce the share contributed by Government to public education.

My friend, Mr. Wacha, has gone into this question in great detail, and I will only add one or two observations to what he has said. In the evidence already recorded by the Commission satisfaction is expressed in one or two places that in India the working expenses of railways form a smaller percentage of the total railway receipts than in England, and the conclusion seems to be drawn that Indian railways are constructed and worked more cheaply than English railways. I may, however, state that this lower percentage of working expenses is not peculiar to our railways only, but is, in fact, a necessary condition of all industrial undertakings in India. Labour with us is very cheap, while capital is very dear, so a much larger margin is necessary for profits, and a much smaller one suffices for the working expenses than is the case in England. The mere fact, therefore, that the working expenses of Indian Railways form a smaller percentage of the total receipts than they do in England does not in reality prove anything.

Meanwhile it may fairly be asked, if Indian railways are on the whole a profitable undertaking, why do English investors, with all their enterprise, almost invariably insist on a Government guarantee of interest in one form or another? There was an excuse for the first companies requiring such a guarantee. But after so many years' experience of Indian Railways, and after so many protestations, both from the existing Companies and from Government that there is a great, a prosperous future for Indian Railways, it is astonishing to see that every new scheme proposes that all elements of risk and possible loss in it should be shifted on to the Indian tax payer, securing an absolutely safe, clear percentage of profit for the English investor. So long as the Indian Government has to bear a net loss on Railway account, no matter from what cause, so long it is futile to represent the Indian Railway enterprise, whatever may be its other advantages, as a commercial success.

I have two suggestions to offer on this subject of Railways. The first is that the time has now come when the same restrictions that now exist on the outlay of public money on unproductive public works should be imposed in the case of these so called productive works also. These restrictions being that in future all Government expenditure on these works, direct or indirect, should be out of surplus revenue only, and not out of borrowed money. A new programme, costing 28 crores of rupees, has just

Education.

Railways.

been announced, and a private letter which I received from India by the last mail says that it has been sanctioned in spite of the protest of the Finance Minister, Sir James Westland. When one remembers that the condition of Indian Finance is at present most depressed, that all really important lines have been already constructed, and that many most pressing needs of the country—such as education—receive no attention from the Government, on the ground of the poverty of its exchequer, one cannot help thinking bitterly of this reckless profusion of Government in the matter of railway construction, especially as the Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources.

The second suggestion is that the Guaranteed Railways should be taken over by Government at the first opportunity in each case without exception. The waiver of the right to take over the E. I. P. Railway twenty years ago was very unfortunate. Apart from the loss entailed by the high guarantee, by the unfair manner of calculating the surplus profits and by their calculation six monthly, instead of yearly, there is another very deplorable loss which the Indian Exchequer must bear in the matter of these Guaranteed Railways. The shares of these Companies are at a high premium, and that is due in great measure to the Government guaranteeing a high rate of interest. The premium thus is to a considerable extent only artificial, and yet Government must pay it when it has to take over these railways.

*Famine Insurance
Fund*

All statistics on the subject of this Fund are already before the Commission. Of late years there has been a great deal of controversy as to the real object with which the Fund was created. I think the best evidence that I can offer on this point is to quote the following extract from the Report of a Parliamentary Committee, which examined in 1879 the subject of Public Works in India, and of which Lord George Hamilton was Chairman —

far as was possible, famine expenditure for the future out of income, but to immediately appropriate a portion of the income so raised to pay the interest of new loans was a proposal which, in the opinion of your Committee, the Secretary of State in Council had no option but to reject

Lord George Hamilton is now Secretary of State for India, and, judging from a recent debate in the House of Commons, his Lordship seems to have forgotten what he wrote in 1879 as Chairman of that Parliamentary Committee. The Indian people, however, have a better memory

I now come to a criticism of the Civil Departments of my Presidency, on which subject, I understand, the Commission would like to hear my views. I may mention that a very exhaustive memorial, criticising the working of these departments from the financial point of view, was submitted in 1886 by the Poona Sarvajanik Sabha, of which I was Hon. Secretary for seven years, to the Finance Committee appointed by Lord Dufferin. In so far as the situation has undergone no change, that criticism has only to be briefly repeated on this occasion. Where the situation is altered, I must modify our observations of ten years ago

The total charge under this head in 1884-5 was about 12½ lakhs of rupees. In 1894-5 it was over 14½ lakhs. A large part of the increase is due to exchange compensation allowance. About half a lakh is due to the transfer of the charges of the Inspector General of Jails, Registration, and Stamps, to this head. The increase in the Civil Secretariat is striking, being about 60,000 rupees. The expense of the staff and household of the Governor have also increased from 86,000 rupees to over one lakh. It has long been felt that the Bombay expenditure under both these heads is on an extravagant scale. In Madras they manage things much cheaper. Madras is a larger Presidency than Bombay, and yet, 1894-5, its Civil Secretariat expenditure was only 306,400 rupees, as against 414,000 rupees for Bombay. Similarly the staff and household expenditure in Madras in that year was 46,000 rupees, as against 107,000 rupees for Bombay. On this point I would suggest that the Staff and Household allowance in Bombay should be commuted into a lump sum of about 60,000 rupees a year.

The intermediate supervising staff of Commissioners of Divisions also comes under this head. Its cost in 1894-5 was over 3½ lakhs. This item of expenditure is a very heavy and perfectly needless drain upon the revenues. This institution of the Commissioners introduces an unnecessary step between the district and the headquarters of Government, causes culpable delay in the speed of despatch of public business, and is opposed to the proper efficiency of the District Government. The Commissionership of the central division was, moreover, created twenty years ago in consequence of the pressure of famine, and it ought to have been abolished as soon as the pressure had disappeared.

The charges under this head are about 65 lakhs, and have for some years past been more or less steady. In the Presidency proper, there are 12 senior and 9 junior collectors, with 41 assistant collectors. There is besides a large number of supernumeraries. Then there are about 50 deputy collectors, and a large number of Mamlatdars, one for each Taluka. On an average, each district has one collector, two assistant collectors, one or two supernumeraries, and two deputy collectors, with a Mamlatdar for each Taluka. When the Revenue Department was first organised, the other departments of the State were not formed, and the Revenue officers were the only officers whom Government could regard as its principal executive officers. Collectors, therefore, found it almost impossible to conduct their duties efficiently, and their staff had to be strengthened by the addition of assistant collectors, but during the last few years, most of the other Departments have been fully organised, and each Department has now its special staff of administrative and executive officers. Under these altered circumstances, therefore, there no longer exists the necessity of maintaining the staff of assistant collectors under the district revenue officer, except so far as the necessary provision of training some few covenanted civilians for district work might require. For this purpose one, instead of two or three—the present number of assistants—would be more than sufficient. This change, without affecting the efficiency in the slightest degree, will relieve the State of a needless and costly burden.

The district in India is the proper unit of administration, the collector being the chief representative of Government in the district. The present scheme of District Administration, however, is radically defective, and entails a large waste of public

*The Civil
Departments of
the Bombay
Presidency*

*General
Administration.*

*Land Revenue
Administration*

money. The great multiplication of *Central Departments*, which has taken place in recent years, has, while imposing a heavy strain on the finances, considerably weakened the position of the collector, and the machinery of administration has, in consequence, become much more vexatious to the people than it was before. The great fault of the existing system is that the number of Inspecting, Controlling and Supervising officers is wholly out of all proportion to the number of real workers. Government, in all its departments, fixes the salaries of its officers high enough to show that it trusts these officers and expects from them efficient and conscientious work, but after showing this mark of confidence, it imposes check upon check, as if no officer could be trusted to do his duties. Perhaps such a state of things was inevitable in the early days of British rule, when everything had to be properly organised, and various administrative reforms had to be carried out. But now that things have settled themselves, and most of the work done is comparatively of a routine character, it is a sheer waste of public money to maintain such a system of checks and over centralization. I have already spoken of the Divisional Commissioners, who are at present only a fifth wheel to the coach. In the North West Provinces, Punjab and Bengal, there are, besides the Commissioners of Divisions, Revenue Boards of two or three members. This double or treble machinery serves no useful purpose beyond a nominal but very often vexatious check. It may be admitted that some check is necessary, but too much check defeats itself by becoming either vexatious or nominal, or both. What is wanted is a check more real by its being more on the spot. The district being a unit of administration, the collector's position should be that of the President of an Executive Board, consisting of his Revenue, Police, Forest, Public Works, Medical and Educational Assistants, sitting together each in charge of his own department, but taking counsel in larger matters with the heads of the other departments under the general advice of the Collector President. To this official Board, the Chairman of the District and Municipal Boards may be joined as non official representatives. These ten members, thus sitting together, and representing as many departments, would form the best check on each individual department. With such a self adjusting, simple and effective system at work, the present complicated and less efficient system of check and over centralization might be dispensed with to the great relief of the people, and of the finance of the Presidency.

The charge under this head in 1894-5 was over 66 lakhs of rupees. In 1892-3, it was less than 51½ lakhs. The increase is chiefly due to the reorganisation scheme carried out in 1894 at an annual cost of over four lakhs for the Mofussil Police and about one lakh for the police of the Presidency town. As in the case of several other Departments, this Department is largely over-officered in the upper staff. In 1884, the Inspector-Generalship of Police was created with a salary of Rs 24,000 a year. The creation of this office was not favoured by the Government of India itself for a long time, but it yielded at last to the persistent pressure of the local Government. This needless centralisation, in addition to being expensive, has disturbed the harmony which previously prevailed in the district administration, when the District Police Officer was a direct subordinate of the Collector of the District. The Police Department has no policy of its own to carry out and it may well remain directly under the Collector of each District. I may mention that men like Sir Barrow Ellis were strongly opposed to the creation of the Inspector-Generalship.

The superior staff has been constantly on the increase. In 1879, the number of District Superintendents and Assistant Superintendents was 22. In 1886-7 it was 30. It now stands at 38, all Europeans. There are besides about nine Probationers. The institution of the grade of police probationers has all along been regarded by the Indian public as a great scandal, and evidence was offered before the Public Service Commission that all the 13 Probationers that had till then been appointed were relatives of persons occupying high posts in the Administration—men who had failed in qualifying themselves for any other career.

But while the Superior Staff is excessive and too costly, the lowest grades in the Department—the class of Constables—require large improvement. A much better type of men must be attracted to the ranks by offering adequate inducement. It is no exaggeration to say that the Indian Police of the present day, outside the Presidency towns, are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery to the bulk of the people. They are often found to be themselves actively aiding and abetting crimes—especially crimes connected with property. Outside the Presidency towns there is no detective service worth mentioning. A large increase of expenditure is necessary if the Department is to be effective for protecting, and not harassing the general population.

Here, too a large increase of expenditure is necessary if Government desires to discharge its duties adequately by the people. The charge under the head of education at present is about twenty lakhs, of which three lakhs are consumed by direction and inspection. Our percentages are, no doubt, slightly better than those for the whole of India, but that is hardly a matter for congratulation, seeing that what is being done is almost as nothing compared with what ought to be done. So long as we have only 9,000 public primary schools for over 25,000 towns and villages, and about 80 children out of every 100 of school-going age are growing up in utter darkness, so long the educational policy of the Government will always be a reproach to it.

Education.

In this connection there is one point to which I am anxious to draw the particular attention of the Commission. That point is the absolutely inelastic character of the financial provision, which is made for primary education in rural areas. In these areas primary education is now entrusted to Local Boards, Government contenting itself with a grant in aid to these Boards of one third the total expenditure. Now the only revenue that these Boards have at their disposal is the proceeds of the one anna cess, and these proceeds are devoted in certain fixed proportions to primary education, sanitation, and roads. As our revenue settlements are for periods of thirty years, it follows that during these periods the proceeds of the one anna cess must be more or less stationary—which means that the amount that Local Boards can devote to primary education, being a fixed proportion of those proceeds, must also remain more or less stationary during the currency of each period or settlement. And as Government will as a rule, contribute only one third of the whole expenditure, i.e., one half the amount spent by the Boards, it is clear that the resources that are available for the spread of primary education are entirely inelastic for long periods. I believe Sir James Peile had proposed, when he was Director of Public Instruction in Bombay, that local bodies should be empowered to levy special educational cesses, if they pleased. In the absence of Government finding more money for the education of the masses—a duty definitely accepted as a sacred trust—this seems to be the only possible solution of the difficulty.

The charge under this head in 1894-5, including the cost of jails, was 46 lakhs of rupees. Of this sum, the expenditure on the High Court came to about 6½ lakhs. It has long been a matter that a High Court is managed on a more extravagant scale than that of Madras, the expenses of the latter in 1894-5 being less than 5½ lakhs. The great item of difference is the expenditure of the original side, which in Bombay is about 2½ lakhs, and in Madras not even one lakh. The Appellate side of the Bombay High Court, which does the Appellate work for the whole Presidency, is maintained at a cost of about one lakh of rupees only. The expensiveness of the High Court is, however, not due so much to the cost of the machinery employed as to the monopoly enjoyed by Solicitors and Barristers, whose fees represent a charge on litigation which is almost prohibitive. It is indeed high time that the system of the Civil and Criminal Administration of justice in Bombay was improved so as to render it less costly. The Finance Committee of 1886 made certain proposals about reducing the cost of the Bombay High Court, some of which have not yet been carried out. The Clerk of the Insolvency Court still continues to receive fees amounting to nearly the salary of a puisne Judge, for only nominal work.

The Judicial Department is specially a department for high posts, in which the qualifications of Natives have been repeatedly recognized. And yet among all the District and Sessions Judges of the Presidency, there is not to be found a single Native except M. Tagore, who, however, got in by passing the competitive examination in English. The Public Service Commission recommended that one third of the District and Sessions Judgeships should be set apart for Natives. No effect, however, has yet been given in practice to that recommendation.

The question of the separation of Judicial and Executive functions comes under Law and Justice. It is contended on behalf of Government that such separation would entail extra expenditure of something like half a crore of rupees for the whole of India. Now, in the first place, this appears to be simply an over estimate. Assuming, however, that the additional cost would be as high as that, it is much less than what was given to the European Services by one stroke of the pen in 1893—1 mean the Exchange Compensation Allowance.

This year, in certain famine areas, sub Judges are entrusted with criminal work also to the relief of revenue officers, and the experiment so far has succeeded very well. A similar experiment was tried during the famine of 1877 with equally satisfactory results.

The Stipendiary sub Judges and sub Magistrates may with advantage be relieved of a portion of their lighter work, by the appointment of Honorary Magistrates and Arbitration Courts. Honorary Magistrates have already been appointed in the larger towns, but benches of such Magistrates may be constituted in Taluka towns with great advantage to the Government and the people. Further, the caste and trade Panchayats may be utilized for the purposes of settling Civil disputes. There has already been a reform in the manner of disposing of petty cases, and Arbitration Courts have been reorganized as cheap and efficient institutions for the administration of justice in small cases. If the same principle be extended to the Courts of subordinate judges, and if Civil juries are associated with sub Judges in the disposal of suits involving larger amounts of money, as also in deciding questions regarding rights and customs, ample relief will be afforded to the superior Courts, which may ultimately enable considerable economies to be effected.

Public Works Department

The expenditure under this head including Provincialized Railways and Irrigation and Civil Works, was about 35 lakhs of rupees in 1894-5, out of which about one third was for establishment. The first two items came to a little over one lakh and the rest was for Civil Works. Except in Sind, we have no irrigation worth speaking of, and I think it would be a great advantage if the construction of storage tanks and wells in areas where the rainfall is uncertain were undertaken by Government on a large scale and in a systematic manner. As regards the Civil Works outlay, it is noticeable that the highly paid machinery of Executive Engineers, etc., is still kept up in all the Districts though in several of them the expenditure on Civil Works from the Provincial revenues does not exceed a mere trifle, and the works required by the Local funds are of a sort that far lower establishments can safely undertake. The reduction in the Executive Engineer's charges appears to be urgently called for.

Similar criticism might be offered about the remaining departments, but I have no wish to weary the Commission with further observations of the kind. But there is one great evil common to all the Departments, and a few words on that may be allowed.

This evil is the practical monopoly of all the higher posts by Europeans. The following analysis of the Civil List for the Bombay Presidency for January, 1897, will make my meaning clear —

COVENANTED CIVIL SERVANTS, or, as they are now called, Civil Servants of India. The total number of these Civil Servants, attached to Bombay at present, is 156, out of whom only five are Indians these five having entered by the competitive door in England. There are, besides, eight statutory Indian Civilians. The Members of Council, the High Court Civilian Judges, the Commissioners of Divisions, the Secretaries to Government, the Senior Collectors are all Europeans. There is one native among the District and Session Judges and one Acting Junior Collector among Junior Collectors.

CITY MAGISTRATES — There are 4 City Magistrateships, two on Rs 800 a month, and two on Rs 500 a month. The two former are held by Europeans (not covenanted), the two latter by natives.

LAND RECORDS AND AGRICULTURE — There are 6 posts in this Department, with a salary of over Rs 400 a month. They are all held by Europeans.

FOREST DEPARTMENT — There are 29 posts in this Department, with salaries ranging between Rs 400 a month to Rs 1,600 a month. They are all held by Europeans. There are nine Europeans even below Rs 400 a month.

SALT — There are 12 posts with salaries ranging between Rs 400 to Rs 1,130 a month. Only one of these is held by an Indian.

POST — The Postmaster General is a Civilian. There are 11 posts under him, with salaries above Rs 400, out of which seven are held by Europeans.

TELEGRAPH — There are 12 posts in this Department, with salaries ranging between 400 and 1,000 rupees, and they are all held by Europeans. There are, moreover, 40 posts between Rs 100 and Rs 400 a month. Of these, also, 36 are held by Europeans.

REVENUE SURVEY — There are 10 posts in this Department, with salaries above Rs 400. They are all held by Europeans.

ACCOUNTANT GENERAL'S DEPARTMENT — The Accountant General and Deputy Accountant General are civilians. There are 5 posts under them, with salaries ranging between 400 and 1,000 rupees, 4 of which are held by Europeans.

HIGH COURT JUDGES — Out of 7 Judges, 2 are Natives.

GOVERNMENT LAW OFFICERS — There are 7 Government Law Officers, of whom 6 are Europeans. Four of these get Rs 2,000 a month and above, one gets Rs 1,000 and the sixth man gets Rs 250. There is only one native among these, who is paid Rs 300 a month.

OFFICERS OF THE HIGH COURT — There are 14 officers, with salaries ranging between 400 and 2,500 rupees a month. Of these 6 are Natives.

PRISON DEPARTMENT — The Inspector General draws Rs. 2,000 a month, and there are under him 11 officers receiving Rs 350 to Rs 1,200 a month. They are all Europeans.

CANTONMENT MAGISTRATES — There are 11 such Magistrates, with salaries ranging from Rs 100 to Rs 1,250 a month. They are all Europeans.

POLICE — There are 54 officers in this Department with salaries ranging between Rs 250 and Rs 1,800 a month. Of these only 3 are Natives, and they are all drawing Rs 250 a month. There are, moreover, 5 officers in charge of Railway Police. They are all Europeans, and draw salaries ranging between Rs 350 and Rs 1,000 a month.

EDUCATION — The Director is paid Rs 2,500 a month, and under him there are 45 officers receiving between Rs 400 and Rs 1,500 a month. Of these only 10 are Natives, and with one exception, they get either 400 or 500 a month — the one gentleman mentioned as an exception is a Native Christian, and draws 633 rupees a month.

ECCLESIASTICAL—There are 31 paid officers in this Department. They draw between Rs. 400 and Rs. 800 a month, and are of course all Europeans.

MEDICAL—The Surgeon General draws Rs. 2,500 a month, and there are under him 59 officers drawing salaries between 400 and 1,600 rupees a month. Out of these only 4 are Natives.

SANITARY—There are 7 posts in this Department, with salaries between Rs. 400 and Rs. 1,200 a month. They are all held by Europeans.

POLITICAL—There are 66 officers in this Department, drawing salaries ranging between Rs. 400 and Rs. 3,500 a month. Only two of these are Natives, one of them drawing Rs. 400 and the other Rs. 450 only.

PUBLIC WORKS—There are 83 officers in this Department, drawing salaries between Rs. 250 and Rs. 2,500 a month. Of these 23 are Natives.

The Subordinate Judgeships and Deputy Collectorships are the only branches of the public Service which are free from this practical monopoly by European officers.

Apportionment of Charge

APPORTIONMENT OF CHARGE BETWEEN ENGLAND AND INDIA.

On the narrower ground which the Government of India have chosen to occupy in this matter, they have, I think, stated the case for India very effectively. I agree, however, with Mr. Dadabhai Naoroji and Mr. Wacha in thinking that the field, in respect of which equitable apportionment is necessary, is much wider than that. I will add a few observations to explain my meaning—

(1)—*The India Office Charges*

These stand at about £273,000, and ought to be borne by England, or at least divided half and half between England and India. The Secretary of State for India, as a member of the Imperial Cabinet, represents the Imperial Executive, and discharges the Imperial function of general controlling supervision in respect of Indian administration just as the Secretary of State for the Colonies does for the Colonial Governments. The salary of the Colonial Secretary, together with his office charges, is borne on the Imperial Estimates. In strict justice, therefore, the India Office ought to form part of the Imperial Establishments and paid out of the Imperial Exchequer. I am, however, aware that it is urged on the other side that, under present arrangements, the India Office has to do much directive and executive work in regard to Indian administration which the Colonial Office is not called upon to do, and I should, therefore, be satisfied if the charges were divided half and half between India and England.

(2)—*Army Charges due to recent additions*

These increases were due to the panic caused by the Penjdeh incident, and were alleged to be necessary for the better protection of the North West frontier. Upper Burma was, however, subsequently annexed, British Beluchistan was organised, various frontier enterprises carried out, and almost the entire increased strength has been thus absorbed in these newly conquered territories—a fact that shows that they were not really required for purposes of the defence of the North West frontier.

Similar temporary additions were made at the same time to the Imperial garrisons in other parts of the Empire in view of an imminent conflict with Russia, Mr. Gladstone obtaining a large vote of credit for this purpose, but as soon as the emergency passed away, the garrisons were reduced. Only in India was the increased strength maintained.

These additions were in excess of the maximum defence requirements of the country as defined by the Army Commission of 1879 in view of frontier and other contingencies—even Russia and Afghanistan making common cause.

The additions were protested against when made by two members of the Vice-regal Council including the Financial Minister, who urged that in the first place they were not necessary, but that, secondly, if they were wanted, that was for purposes of the Imperial policy, and the Imperial treasury should pay for them.

This increased force, therefore, of 30,000 troops forms no part of our Indian army proper, but is an Imperial garrison and serves as an Imperial Reserve, and the cost of it ought to be an Imperial charge.

(3)—*Our Ordinary Debt*

Our ordinary debt as distinguished from our Public Works debt stands at present at 68 crores.

This portion of our debt would not have until now remained undischarged but for charges unjustly imposed upon us in the past in respect of various wars and expeditions in promotion of Imperial schemes of territorial expansion.

	Cost in Crores
First Burmese War (1823)	13
First Afghan War (1838-42)	15
Abyssinian War	6
Second Afghan War —	
Total Cost	22 Crores
Minus Imperial Contribution	5 Crores
	17
Egyptian War	12
	46.8

Add to this 67.8 crores thrown upon India since 1885, in pursuance of an Imperial policy, as shown in the following Table —

Frontier Expenditure since 1885.	Aggregate Charge during the Period in Crores.	Permanent Annual Charge in Crores
Military Roads	1,250	
* Strategic Railways	14,000	600
Special Defence Works	4,630	
Army Increases (including Beluchistan Garrison)	22,000	3,900
Frontier Extension —		
1 Upper Burmah	14,920	275
2 British Beluchistan		256
3 The Gilgit Agency and Protectorate (including Chitral)		225
4 Somali Coast		112
5 The Afghan Protectorate		180
Cost of Expeditions, &c (exclusive of Burmah)	8,240	
Political Expenditure	2,538	457
Total in Crores	67,878	6,350

* The charge is met from capital and not from current revenue.

We thus get a total of 114.6 crores of rupees unjustly imposed by the Imperial Government on us in furtherance of its own policy. If even half the sum were refunded to us, our ordinary debt will practically disappear.

I would mention in this connection that we have paid every shilling of the cost of British Conquest including even the cost of the suppression of the Mutiny (which was close on 50 crores). England contributing absolutely nothing in aid of all this expenditure, though her responsibility for the latter event was possibly greater than ours in consequence of the withdrawal of European regiments from the country, despite the protest of the Government of India for service in the Crimea and Persia.

England has paid such charges for Imperial Conquest or settlement in respect of her Colonies. She has even paid the cost of the suppression of the insurrection in Canada (1837-43) out of Imperial Revenues. Nor has she ever called upon her Colonies—not even the Cape—to undertake Imperial wars or to contribute towards their charge.

UPPER BURMAH lies beyond the Indian frontier, and we have had no interest in its conquest and annexation except as a province to be held and administered as an Imperial trust. The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire and no special Indian interest was ever here at stake.

British Beluchistan and the Gilghit Protectorate are beyond the line of our impregnable defences, and India has no concern with them except as Imperial charges

These are new conquests, and as years pass by will require large expenditure for purposes of administrative improvement and material development. And it is suggested that they be taken off our hands—as Ceylon, St. Helena, and the Straits Settlements were in a former day—and be directly administered as appanages of the Crown.

Bechuanaland (South Africa) is administered as a Crown Colony, and is not thrust on the hands of the Cape

*Political Expendi-
ture beyond the
Frontier*

This is properly Foreign Office Expenditure as connected with the general foreign relations of the Empire. Foreign policy and control of foreign relations are Imperial functions, and charges in connection therewith, in whatever part of the Empire, ought to be borne on the Imperial Estimates.

India has no interests whatever beyond her territorial borders, and has only to maintain peace and order on her own side of the frontier. The Indus, the desert, and the Himalayan Wall are impregnable lines of defence on the North-West, behind which she can remain in perfect security.

All such expenditure, therefore, as is represented by the subsidies to the Amir and other tribal chiefs, and other like charges, is strictly Imperial in furtherance of Imperial interests in mid-Asia.

THE IRREDUCIBLE MINIMUM OF EUROPEANS. Lastly, if England thinks that a certain number of European officers and a certain strength of the European Army must always be maintained in India, she must be prepared to pay a fair share of the cost thrown on India for the purpose, the maintenance of British Supremacy in India being a matter affecting the most vital interests of England.

4.—EVIDENCE-IN-CHIEF OF MR. G. SUBRAMANIA IYER.

MAY 13th and 21st, 1897

IN the "administration and management" of expenditure in India, and in the results of that administration on its financial and economical condition, the following chief points deserve consideration. To these I refer in detail further on.

Introduction

1 There are no provisions in the constitution of the Government of India to protect the taxpayers sufficiently against unnecessary and excessive growth of expenditure. What exist at present are inadequate or ineffective. The debate in the House of Commons the Secretary of State and his Council, Section 55 of the Government of India Act, the Government of India and its Legislative Council, the system of provincial finance, are all parts of the machinery which have more or less failed to impose an adequate check on the growth of expenditure.

2 In consequence, the expenditure of the Government of India, in its Military Department, has grown* considerably within the last twelve years, and there is no certainty that in the coming years this expenditure will not grow. A forward military policy has led to constant frontier expeditions,† which have been very costly, and have necessarily crippled the resources of the Empire.

3 The expenditure‡ in the Civil Departments has also grown, a chief feature of this growth being that the expenditure on services which are of direct benefit to the people, such as Education, Post Office, Medical Service, Police, Roads, &c., shows but a moderate increase.§

* Net expenditure including exchange	{ 1875-76 Rs. 17,133,307
	{ 1894-95 Rs. 25,303,761
Net expenditure excluding exchange	{ 1875-76 Rs. 18,692,977
	{ 1894-95 Rs. 25,530,900

† Between 1875-76 and 1894-95, excluding charges on account of Upper Burma, the total cost of special operations was no less than Rs. 42,58,77 (p. 34, Vol. II). If the estimate in 1875-76 of Rs. 31,8,000 and Rs. 1,750,000 for the Chitral Expedition be added, the accumulated cost in twelve years would be Rs. 153,676.

‡ Civil Departments (1874-5 and 1894-95). The total net increase is Rs. 5,31,706 of which Imperial share is Rs. 1,351,000 and Provincial Rs. 3,96,706 (ibid. p. 50, Vol. II).

§ Para. 31. (1) In other directions, too, there has been an increase. Direct demand on revenue, Salaries &c., of Civil Departments (p. 102 Vol. II). Charge for Interest (p. 67 Vol. II).

4 These increases have led to fresh taxation* amounting to over seven crores, not including the increase in the assessments of land revenue

5 Owing to excessive expenditure, the Government has been obliged to enhance the burden on the cultivating classes. The assessment of land revenue is being increased at each revision, which it is now proposed, at all events in my province, to undertake and carry out at shorter intervals than has been the case till now. The duration of assessment used to be till now thirty years. But Lord Wenlock's Government proposed that it should be reduced to twenty years.

6 † Years of a deficit in the financial estimates are frequent, and even the surplus that is now and again exhibited is not a real surplus, being in many cases arrived at by cutting down grants in one direction and suspending the normal growth of expenditure in others, or by borrowing. It is significant that Sir David Barbour more than once spoke of "an apparent financial prosperity."

7 ‡ The debt of the Government has increased, especially the sterling debt. The present famine has made the Secretary of State propose a loan of 3½ millions sterling, besides the four crores which the Government of India proposes to raise. The fact that no Sinking Fund can be provided, and that the amount of interest payable every year should necessarily rise, ought to weigh against an endless accumulation of debts. Unlike other countries the indebtedness of India involves payment of large amounts to persons who are not natives of the country, and the foreign payments constitute a serious economical and political evil. The recent conversions have reduced the interest on the rupee debt but this cannot be had recourse to frequently, it will shake public confidence in Government investments. I understood Mr Stephen Jacob to say in his evidence that there has been a saving of one per cent or £2,200,000, in interest, and though, so far as it concerns the taxpayer, this saving rather more than counterbalances the increased payment due to the fall in exchange still, in consequence of the fall in exchange India cannot enjoy the benefit of this saving.

8 Yet, in spite of these discouraging circumstances railway construction is being pushed forward with great energy, and the speed of the progress is such that it has caused general disapproval, which was given expression to last year, and in this year by certain non official members of the Viceroy's Legislative Council.

9 The Famine Insurance Fund § which was created for the special purpose of

* Between 1884-85 and 1894-95 (Statist. Abst.)

	Customs Rx	Assessed Taxes Rx
1884-85	10,9943	511,528
1894-95	3,854,925	1,808,060
Increase	<u>7,825,012</u>	<u>1,296,532</u>
	Salt	Provincial Rates
1884-85	6,507,236	2,791,461
1894-95	8,665,749	3,541,154
Increase	<u>2,158,513</u>	<u>749,693</u>
Total Increase	<u>Rx 7,029,450</u>	

† Vide Statistical Abstract p. 296. Between 1849-50 and 1894-95 there were 23 years of surplus and 23 years of deficit.

The total surplus	31.58 millions Rx
The total deficit	69.20 millions Rx
Net deficit	37.62 millions Rx

‡ RUPEE DEBT

1884-85	93,183,660 Rx
1894-95	104,373,740 Rx

STERLING DEBT

1884-85	£69,271	} Including Railways, Irrigation and other purposes
1894-95	£114,005,825	

§ For figures see page 314 Vol. I. The average including the year 1896-97 is Rx 1,165,261.

undertaking measures to protect the people against famine, has not been provided for every year, and during the last three years it has been reduced permanently to one million Rs. from $1\frac{1}{2}$ millions, which it was in theory. Sir James Westland's explanation is that all the important and protective works have been carried out, and there is no longer need for the same amount of $1\frac{1}{2}$ millions being spent. If that were the case, either taxation should be remitted, or there must be more money spent for the benefit of the poorer classes.

10 In the face of almost a crushing embarrassment, the Government of India in 1893 decided on giving compensation allowance to its European employes. In that year the amount was 63 lakhs odd, and in subsequent years it amounted to more than a crore. The Government was unmindful of the fact that its European employes were not legally entitled to that compensation, and that the taxpayers, from whose pocket the amount of the compensation must come, were affected far more injuriously in several ways than these high paid officials. Any consideration from the State was due to the weaker party.

11 There is a great drain of money from India to England by the excessive employment of foreign agency, not only in the various branches of the public service, but also in the administration of railways. Every foreign enterprise in the country is a source of drain. This drain, mainly along with other causes, is steadily impoverishing large classes of people, and bringing to the surface the most serious problem of a large pauper population. I shall make only one quotation from a Government resolution in 1888 *

"It may be briefly stated that, over the greater part of India, the condition of the lower classes of the agricultural population is not one which need cause any *great* anxiety at present. The circumstances of these classes are such as to secure in normal seasons *physical efficiency for the performance of agricultural work*,† though in the tracts classed as 'insecure' there is always a risk in the event of a failure of the rains, that the more indigent classes of the people may be overtaken by distress in various degrees and forms, and be deprived of wages ordinarily provided by the agricultural operations on which, in normal seasons, they depend for their livelihood. There is evidence to show that in all parts of India there is a numerous population which lives from hand to mouth, is always in debt owing to reckless expenditure on marriages and other ceremonies, and in consequence of this indebtedness, and of the fact that their creditors, the middlemen, intercept a large portion of the profits of agriculture, does not save, and has little or nothing to fall back upon in bad seasons. Nevertheless, in the majority of cases, there is no sufficient cause for the direct interference of Government. This is the best that the Government could say. But the reality is much worse.

12 The general tendency to increase the expenditure should be controlled by giving to the representatives of the taxpayers in the various Legislative Councils a more direct and substantial voice in the legislation as it affects the finance, as well as other things.

13 The system of Provincial Finance, as it is now worked, does not altogether fulfil the object which it is designed to fulfil, and should be further developed.

I said, above, that the checks on the administration of expenditure provided in the constitution of the Government have proved mostly to be ineffectual. But it is patent that there should be checks which are fully effectual, and either those that already exist should be improved or new ones should be provided. The President of this Commission himself observed in the course of its proceedings — 'One great difficulty, of course, is, that you have in India always a present danger — namely, the constant emergencies that occur, such as famine, which make it more desirable that in a country like this, that the financial situation of the country should be kept essentially safe. I mean by that, there should be, as far as possible, a good surplus maintained against such emergencies. The general tendency of the administration, unless it is very much checked, is to work expenditure up almost to the limit of the revenue' — an observation in which Sir Auckland Colvin expressed concurrence. This very much checking is

Administrative Machinery — Existing Provisions against Excessive Growth of Expenditure.

* See 1892 Return

† As if the lot of the Indian people is to work and die like brutes, and they have no right to a gradual and steady improvement in their standard of living as the result of the settled and benevolent Government they live under.

Parliament

sadly wanting. The existing safeguards may be taken thus—There is, first, the British Parliament, which is finally responsible for the good government of India. But this responsibility it considers to be satisfactorily discharged by an annual debate on the Indian Budget. We all know how ineffectual this debate is. As a rule, it takes place long after the period to which the Budget under discussion refers is closed; it comes at the end of the Session, when Members of Parliament, after the wearying exertion of a busy Session, are anxious to get away, and, as a fact, only a handful of Members remain in the House to listen to the Secretary of State's exposition of the financial statement, and it cannot be said that all the Members present possess a sufficient knowledge of Indian affairs or take an earnest interest in the subject of the debate. Parliament takes its responsibility easily, and leaves the Indian Minister virtually uncontrolled. The Indian Minister, who is the link between the Government of India and Parliament rarely possesses any knowledge of Indian affairs, on the other hand, a knowledge of Indian affairs is strangely regarded as a disqualification. The Indian Secretary, who is a member of the Cabinet, takes as much interest in British politics as in the affairs of the country over whose destiny he presides for the time being. The influence of the India Office on the financial administration of India has not been always in favour of economy. It is not so, as Sir Auckland Colvin pointed out in the question of the railway development, the India Office is powerless when the Secretary of State, acting in concert with his colleagues in the British Cabinet, chooses to over rule his Council. He is apt to err, from the Indian point of view, from choice or from ignorance. He is assisted by a Council of which the members are supposed to be chosen for their special knowledge of India. But in most cases, this special knowledge is antiquated. Things change rapidly in India, and it is exceedingly desirable that Members of the Council should vacate their appointments after a shorter period than ten years and men who are in touch with the existing state of things should be appointed as members. The Secretary of State often looks at Indian questions through British politics, and this circumstance often makes him a biased authority, preferring British interests to those of India. His decision in regard to cotton duties, the cost of the Indian contingent to Suakim, and in the occupation of Chitral, was viewed by the Indian public in this light.

Section 55 of the Government of India Act

Section 55 of the Government of India Act was designed to operate as a check on the Secretary of State and his colleagues in the British Cabinet, when they may decide on using the Indian revenues in the execution of military enterprises for the advancement of British interests. But the highest authorities have admitted that it has entirely failed to produce this effect. The same effective check is necessary, because, looking into the figures during the last decade I am inclined to agree with Sir William Wedderburn in thinking that the real check that is wanted is not so much upon the Provincial Governments or even upon the Government of India, as upon the Secretary of State who is subject to no check practically when he sanctions one frontier expedition after another, and incurs big expenditures out of the Indian revenues.

The Viceroy's Council

Sir Auckland Colvin said—In a country where the taxpayer is an alien and is not able to make his voice directly heard, the need of giving close attention to economy in administration is greater than it would otherwise be. The idea is no doubt excellent, but in the actual business of a Government conducted by a foreign agency over a dependent people, such pious intentions are of no use nor do I think it practicable to give to the Finance Member of the Government of India more power than he now possesses or to make the Secretary of State and his Council the protecting angel of the Finance Minister against his colleagues jointly or individually. If he get the support of the Secretary of State it would be indeed a strength to him. The best way to strengthen the hands of the Finance Minister is however to give him an opportunity of pointing to Indian public opinion as constitutionally expressed in the Indian Councils in support of his own views. The reform which was introduced in the constitution and powers of our Legislative Councils by the Parliamentary Act of 1892 should be carried further, and the members of the Council should be empowered to vote on the different items in the Budget. There should be also more scope for interpellation in these bodies. The present rules should be modified so as to give to the non official members a wider discretion in asking questions. Often the interpellating member is shut out by the arbitrary decision of the Viceroy, or the head of the provincial Governments by ruling the question to be inadmissible. Sometimes complaints are made that unofficial members put too many questions, but it must be remembered that India is a vast

The Finance Member

Legislative Councils to Vote on the Budget

Interpellation

Empire, and the Legislative Council meets not more than half a dozen times throughout the whole year. I am not sure that the questions put in the Governor General's Legislative Council for a whole year are so numerous as those put in the House of Commons in a month. The Government should show greater disposition to consult public bodies and individuals. Lord Ripon, when he was Viceroy, issued a Resolution to this effect, but I believe that since his time the matter has been forgotten. The present Viceroy, in his last tour did not encourage unofficial representations to him on public questions. There is a tendency, I apprehend, to neglect, not merely unofficial public opinion, but subordinate Governments also. The Government of my Presidency has often suffered for the fault of its being far away from the seat of the Central Government. Sir James Westland recently apologised to Madras for not sending his financial statement to that Presidency in advance as he sent to Bombay. After the publication of the Financial Statement sufficient time should be allowed before the debate so that members of the Council might have sufficient time to master the details of the statement, and produce a useful and effective criticism. There would then be time for public criticism also, and the non official members would be in a position to consult their respective constituents. Sir James Westland's explanation of the circumstances which rendered the present arrangement necessary, illustrates the frequent disregard of public opinion by the Government in India. He said, "Nineteenth (of March) is about the earliest we can present it (the Financial Statement), and this year it was nearly the latest also, if we were to postpone it for a few days longer it would cause considerable inconvenience to this Council, as the Council, according to the usual arrangements, dissolves before the end of March." These official gentlemen going to Simla is more important than an adequate consideration of the finance of the Empire.

*Consulting Public
Opinion*

The discussion of the Provincial Budget in the Provincial Councils is useless, because all the allotments are submitted to the Government of India, who have to approve of them, and the members of the Council can only pass an academical criticism, to be mostly disregarded by the Government.

*Discussion of
Provincial Budgets*

I think it is worthy of consideration by the Commission whether the Governor-General, who is the President of the Council, should be entrusted with the control of any particular Department. His function should be to exercise wholesome and judicial control over all the Departments. His position should give him no interest in the expansion of any particular Department. The Viceroy is in charge of the Foreign Department, which has a very large political area beyond the Indus, which causes very considerable expenditure. Sir Auckland Colvin's remarks in this connection are relevant. He said—"I think again that with all its advantages the decentralisation scheme has weakened the Financial Members' power a good deal indirectly, by throwing the balance of the Viceroy's interest into a class of questions in which he has more direct concern, and over which he has now exclusive control, such as the public works, military and foreign matters. The Provincial Governments, since the decentralisation scheme was introduced and elaborated, have taken the internal administration of India from off the shoulders of the Council, and of the Viceroy as representing the Government, in a degree which before was never dreamed of. The result is, I think, that the internal affairs of India occupy less the attention of the Viceroy than the external, which are costly. I am not speaking of the rightness or the wrongness of it. The Public Works as well as the military engage his time, and engage his attention in a far greater degree." Since 1885, it is the common belief that military considerations have received greater weight in the decisions of the Government than financial, and questions connected with them have pushed into the background questions of internal improvement. Military affairs and the difficulties of falling Exchange have divided the Government's attention, and for some time past the Famine has engrossed the energy of the Government, as well as of the officials. Lord Elgin expressed his regret at a recent meeting of his Legislative Council, that he had not been able to devote attention to the all important question of the material condition of the people. In illustration of the fact of the Government of India not being able to give sufficient attention to internal affairs, I can mention several other instances. The organisation of an agricultural department has been in the preliminary stage for the last twenty five years. Lord Dufferin had his attention drawn to the encouragement of technical education, and a "note" upon that subject was published in the Home Department. The subject has apparently been forgotten since then. In a resolution dated December, 1887, the Government directed an analysis of agricultural tracts should be gradually set on foot,

*The position of the
Governor General
in the Executive
Council*

*Government of
India neglecting
internal affairs*

with the view firstly, of ascertaining in what parts of the Empire the agricultural population and the lower classes of the people are suffering from an insufficiency of food or agricultural capital, secondly, of discovering the causes of any conditions of degradation which might be found to exist, and, lastly, of suggesting or providing such remedies as might be found necessary or desirable. In pursuance of this plan, Lord Dufferin had an inquiry instituted in 1883, which he himself characterised as of a "cursory and incomplete character. So far as the public are aware, this inquiry has not been followed up by one deeper and more thorough.

Remedies I suggest

Before proceeding to express my views on the subject of the system of Provincial Finance, which is an important wheel in our financial machinery, I shall point out my remedies thus far

1 There can be no doubt that one way of strengthening the financial position of India would be, as Sir Auckland Colvin says, in some way without undue interference with the authority of the Government of India, to establish a control emanating from what theoretically is at present the last Court of Appeal—Parliament. A Committee of the members of Parliament, such as Sir William Wedderburn has suggested, to scrutinise the financial statement every year, and to submit a report to the House of Commons before the financial statement is brought up for discussion, would in some measure secure this end. The Committee would of course pay due attention to the opinions of the non official members expressed in the Legislative Council of the Viceroy.

2 It came out fully in the evidence before the Commission that the present system by which disputes regarding the apportionment of certain charges between the two Governments are kept up for years, and finally decided to the satisfaction of neither party, should be put an end to. It has been suggested that the principles which should be the general basis of apportionment should be laid down in a Treasury Minute, and that the application of these principles to given instances where the two Governments might not agree should be left to an arbitrator or a body of arbitrators chosen by both the Governments. This suggestion commended itself to the Marquess of Ripon and the Marquess of Lansdowne, and I believe will commend itself to the Indian public. In case this suggestion is adopted, Section 55 of the Government of India Act might be left as it is.

3 I have already pointed out the importance of the members of the Secretary of State's Council being men in touch with the actual financial conditions of the day in India. To secure this end, the present system of appointing them for ten years and keeping them on for a further period if the Secretary of State chooses, should be abolished. This term of office should extend only to five years like the members of the Government of India and the Provincial Governors.

Among the members of the Council there should always be one Indian at least possessing necessary qualifications and not necessarily an official. He would take care to put before the Secretary of State the Indian view.

4 Coming to the constitution of the Government of India in India I have already pointed out the desirability of the Governor General being divested of control over any particular Department, so that he may have more time than he has at present to attend to internal affairs of the country which unfortunately, do not receive the same attention that they used to receive in years previous to 1885.

5 The members of the Governor General's Legislative Council should be empowered to vote on the Budget although any decision adverse to the Government of India may be overruled by the President. There should be given greater scope for interpellation and whenever any measure of legislation affecting finance is in contemplation, the views of public bodies should be obtained beforehand as far as possible.

Provincial Finance

There is no more important question than the system of Provincial Finance in considering the means by which the growing expenditure of the Indian Government can be brought under salutary control. I would commend to the Commission a perusal of the debate in the Viceroy's Legislative Council on the last Financial Statement. There the question is fully discussed. Sir James Westland, pleading with all his ability and knowledge for the Central Government, and the Lieutenant Governor of Bengal, supported by several non official members, more notably by the Honourable Mr R. M. Sayani, urging with great effect the side of the Provincial Governments. The two sides approach the question from opposite points of view. Sir James Westland's opinion is as follows. "The Revenues of India are the

in the respective proportions of the central and Provincial Governments might generally diminish, until the future revenues come to be divided equally between Imperial and Provincial purposes. Another beneficial change in the present system would be to extend the duration of contract over ten instead of five years. Sir James Westland objects to a permanent settlement of apportionment between the central and Local Governments, but I don't think anybody proposed a permanent contract. Nor is it a valid objection to the change that is advocated that any alienation of revenues for a permanent or long period would render a remission of taxation difficult. There is no reason why there should not be a remission of taxation by the Provincial Governments and the Government of India within their respective spheres. As a fact there has not been much of remission of taxation of late, and in the present year the improvement in exchange is a source of gain to the Government, but the taxpayer is not given the benefit of it to any extent. The improvement under Exchange in 1896 and 1897-8 amounts to Rs. 3,982,000, or nearly 4 crores, but of this improvement no portion was utilized for remission of taxation, although repeatedly has the Government promised a reduction in the salt duties at the first opportunity. I would also urge that the proportion of the total revenues disbursed among the different provinces should be made on a more equitable principle. It is a wrong principle to tax the progressive province for the benefit of the backward province. There is no reason why the rayat of Madras should be taxed for the development of Burma and Beluchistan, and possibly for the development of some other frontier tract which the ascendant policy of Military aggression may bring within the limits of British dominion.

The result of the new contract regarding the Madras Presidency is that as against the receipts estimated in the Budget at 316.84 lakhs, the estimated charges are 332.69, which, of course, reduces the opening balance of 25.85 lakhs at the close of the year. There is a net reduction, excluding Land Revenue and expenditure on Famine Relief, of 23.35 lakhs under expenditure, of which 22.5 lakhs falls under irrigation and public works and the closing balance of the year is estimated to be 10 lakhs instead of the obligatory minimum of 20 lakhs. A saving of about two lakhs is estimated during the year, in the Exchange compensation allowance and this saving will go to meet an increase of charge under General Establishment, due to three additional Deputy Collectors on Rs. 500, three temporary Deputy Collectors in Madura and Malabar, the travelling allowances of 157 Tahsildars (to whom a daily allowance of one rupee has been sanctioned for every day spent on tour), and increased charges under remuneration to copyist and examiners. I refer to this to show how any improvement in the resources of the local Government will be applied for the benefit of the public service and of the people. I have already referred to the large reduction in the Public Works grant as the result of the curtailment enforced by the Government of India, both in the contract assignment and in the estimates. Under "Provincial Loans and Advances" in the Financial Statement of Madras, the following remark is made: "The Government of India has curtailed the grants under this section to a considerable extent, on the grounds that in the special circumstances of the present year it is not possible to comply in full with the demands made by the local Governments; that as regards loans to municipalities, the Government has at present no funds to lend for purposes of water supply and drainage schemes, that works of the kind should either be put off until funds are available or the Municipalities should borrow in the open market."

I need not say how the central Government's encroachment on the resources of the Provincial Governments retards progress in administrative reform. For some time past, for example, the condition of the clerks in the Taluk establishment, who have the important duty of checking the revenue accounts prepared by the village officers, has attracted the attention of the Government. A provision was made in the Budget of 1896-7 for the improvement of the position of these "Taluk Gumastars"—as they are called—but it lapsed that year, and in the Budget of 1897-8, we have it stated that the decrease under Criminal Courts follows that under Land Revenue, owing to the retrenchments made in the provision for improving the position of the Taluk Gumastars and the travelling allowances of sub-divisional establishments.

For a long time past, public opinion has demanded most emphatically a reform in the present system of combining in the same officer judicial and executive functions. A good deal has been written and spoken about the question, and very high authorities have supported the unanimous demand of the Indian public. The evil is

indeed admitted, but the necessary reform is put off on the plea of want of funds. In the Madras Presidency, a small though important step in the direction of reform has been taken by the appointment of what are called Stationary Sub-Magistrates, as distinguished from itinerary Magistrates. But a further advance is needed, but want of funds is in the way.

It is only natural that in a country like India the cost of Government should grow from year to year, and if the growth of expenditure be marked by due economy, by a due regard to the tax paying capacity of the people, by a sympathetic examination of the wants of the people, there would be no complaint. But what are the facts? A system of foreign domination, by depriving the people of all substantial voice and share in the administration of their own country, is bleeding it to exhaustion. Enormous Military expenditure is allowed to encroach on the resources available for administrative progress, not only has Military expenditure increased, the expenditure under Civil Departments has also increased. The Home Charges and the indebtedness of the Government are rising. Railway construction is being pushed forward too rapidly with borrowed funds, and compensation allowances are granted to European employees, on the other hand, the Famine Grant has been reduced. Departments in which people are more directly interested show but a moderate growth of expenditure. The expenditure on education shows but very slight increase.

*Growth of
Expenditure.*

Sir David Barbour's opinion is that in the construction of railways "we ought to proceed more slowly when there is apparent prosperity, and try and avoid those sudden checks which are very mischievous." This opinion was supported by certain non official members in the Vice regal Council both last year and in the present. In 1881 the amount to be borrowed for railway construction in every year was limited to £2,500,000, independently of any sums provided out of revenues or by Companies. The result of the 1884 Committee was to raise the limit to £2,950,000, and Mr. S. Jacob said that in some subsequent years, the frontier railway policy caused this limit to be exceeded, and in particular years, also, there were some exceptional charges. This policy has further been pushed on recently. Sir James Westland says, in the last financial statement—"At the beginning of the year, the Secretary of State gave formal approval to a programme of Railway Construction, either direct by Government or by Companies acting under guarantees of the Government, which covered about Rs. 28,000,000 of Railway expenditure to be spread over three years, of which 1896-7 was the first. For this 28 crores of expenditure we were to raise in India as much money as we thought we could conveniently borrow, and the rest was to be raised in England, either directly by the Secretary of State or by Companies acting under agreements with him. But the amount of 28 crores thus arranged for does not include the transactions of certain Companies whose relations with Government do not involve a direct guarantee by the latter, and which work under special terms (like the Bengal and North-Western Railway) or under what are known as Branch Line terms. Nor does it include certain small transactions on Provincial account which are charged to Revenue." Thus, virtually, much more than the 28 crores that are to be borrowed is proposed to be spent on Railway Construction during the three years, 1896-7, 1897-8, 1898-9. The Revised Estimate of the past year shows Rs. 11,223,500, and the Budget of 1897-8 shows an expenditure of Rs. 13,113,800. The Finance Minister thinks that all this expenditure is fully justified. Last year, in the Legislative Council, he said—"Taking the whole of them (Railway transactions), the charges to Government is only two crores of rupees. I would ask, simply as a question of policy, whether the possession of these 20,000 miles of railways is not worth, to the people of India, two crores of rupees. There is not a soul in the room who would not admit that India would be better for these railways, even if the people had to pay ten crores a year instead of two. With reference to these two crores of rupees, I have also to state that the loss which we have to bear mostly arises upon railway construction on the guaranteed system. The loss of a few years ago was only 70 lakhs of rupees. It has since mounted to two crores—[the amount is now 2½ crores*]—mainly because

* The actual figures are —	Actual 1894-95	Rev. Est. 1896	Budget 1897
Receipts	Rx. 21,244,163	21,674,300	21,513,200
Expenditure	Rx. 23,592,647	23,438,000	23,117,300
Net charge	Rx. 2,348,484	1,763,700	1,604,100

The result is arrived at after charging in the Railway Revenue account the following sums on account of exchange—Acc. Jan. 1894-95, Rx. 4,424,664. Rev. Est. 1896-97, Rx. 4,333,700. Budget, 1897-98, Rx. 4,303,300. (See also p. 124 of the 1896-97 Annual Statement, page 13.)

we have to bear a heavy loss of exchange upon the sterling debt connected with the older railways. But it is obvious that this heavy loss has nothing to do with the present construction of railways. We would have to bear this loss even if we were not constructing any railways during the last ten or twenty years. The later construction and expansion of railways has therefore been, on the whole a financial gain. This tone of unqualified confidence is apparently not in accord with the figures which Mr S Jacob gave to the Commission. He pointed out that a large portion of the capital expenditure on which interest is charged, is not producing any revenue at all. I have taken out for the last nine years the accounts of capital expenditure on lines under construction or surveyed, and unopened lines. The balance remaining at the end of the year on such lines in 1886 7 was Rs 3 000 000 in 1887 8 Rs 1,500,000, in 1888 9, Rs 1 000 000 1889 90 Rs 500 000, in 1890 1, Rs 1,500 000 in 1891 2, Rs 4,000,000 in 1892 3 Rs 6 500 000, in 1893 4, Rs 9 000 000, and in 1894 5, Rs 11 000 000 so that there is a burden of Rs 11 000,000 of capital which at present is producing either no revenue at all or very little revenue. This sum is no doubt accumulating, and yet the Government continues to borrow and is constructing some large railways. The Government, of course satisfies itself after due inquiry that every new line of railway has a reasonable prospect of producing a net return of at least 4 per cent upon the capital expenditure. But the accumulating balance at the end of each year produces no interest, and the new railway for some years after construction does not pay. Railways, no doubt, confer great benefits on the people, but the question is whether they are worth having at the present price. I am in entire accord with Sir David Barbour in thinking that we should proceed more slowly, and considering how already the sterling debt has increased it is wise not to proceed too rapidly. Almost all the railways recommended by the Famine Commission as protection against famine have been constructed and for that reason the Famine Grant has been reduced. I do not see, therefore, the urgency justifying the taxing of the people, who already groan under the weight of tax on, to construct railways. The extension of railway communication can afford no consolation to the rayats afflicted by famine and disease and railways cannot transport grain when there is no grain to be transported. It is time that the Government thought of affording relief to the taxpayer, and of devising means by which he can be enabled to increase his earnings. It is said that railways tend to raise the value of produce. As a fact, however, the rupee price of raw produce has not increased in any appreciable manner. There is no natural or healthy rise of price signifying increase of prosperity. Including abnormal years, such as famine and drought there is apparent rise, but it does not show the prosperity of the people. If there is a healthy rise due to the prosperity of the people why are millions of people at the present moment victims of starvation and disease? But after all an increase in the rupee price is not an unmixed blessing to the mass of the people for the bulk of the landholders own extremely small properties. In the Presidency of Madras nearly two thirds of these pay a tax of under ten rupees a year and as the tax is one half the net produce it may be taken that these petty properties yield annually less than Rs 20. To such people a rise in the rupee price of raw produce cannot altogether be a blessing. They sell off a portion of the produce to meet Government dues and most of the remainder goes to satisfy the demand of their creditors.

These Railways can be worked with considerable economy if they would employ Indians largely in their service. But they do not do so, and consequently the large number of Europeans employed constitute an additional source of drain on the wealth of the people.

The Railway enterprise in India gives more employment to Europeans than to Indians. There were according to a Parliamentary Return of 1892 in all railways 2,448 Europeans * earning salaries of Rs 1 000 and upwards per annum the total salaries coming up to Rs 805 284. There were, however, only 895 Indians who earned salaries of Rs 1 000 and upwards their total being Rs 136 735. Thus not only are the funds for the construction of railways borrowed in a foreign country but their earnings are appropriated to the extent of nearly a crore of rupees towards the payment of foreigners.

* This does not include 180 Europeans not resident in India drawing a total salary of £54 522

India's indebtedness has increased. The increase of debt in England is a serious evil. This latter has increased from £89,003,200 in 1879 to £112,949,546 on the 31st of March, 1896. The annual charge on this debt has increased during the same period from £2,532,328 to £3,684,872. For the year 1897-8 "the requirements of the Secretary of State," to quote the words of Sir James Westland, "are considerably enhanced, as he has now to meet heavy charges of the railway companies against the capital accumulated in 1896-7. On the other hand our means of meeting his drawings in India are greatly limited both by reason of the adverse circumstances of the year in respect of famine expenditure, and by reason of the heavy railway programme of expenditure."

The Government of India intend to supplement their resources by borrowing four crores of rupees, but even with this loan it is estimated that the Government will not be able to meet more than £13,000,000 of drawings during the year. The Secretary of State is therefore obliged to have recourse to borrowing, and intends to raise £3,500,000 of permanent debt, besides restoring £1,000,000 by which in the current year (that is 1896-7) he has diminished the temporary debt. These debts go on accumulating, and the Government is regardless of the fact that besides a large amount having to be paid for interest every year, the amount is paid in a foreign country, and does not go to add to the capital of the taxpayers. It is exceedingly deplorable that the gravity of the drain on India's means of living caused by these sterling payments, besides the drain of the salaries paid to European employees in the service of the State and of the railway companies, is not realised, or if realised, the Government is callous to the disastrous results it is producing in the condition of the people. Perhaps I may quote here the opinions expressed by some very competent persons regarding the economical evil of these growing Home Charges.* The Currency Association that was formed in Calcutta in the year 1894, in a communication to the Government of India made these remarks: "The burden of Home Charges has become intolerable, absorbing, as they do, fully one third of the total exports of the country, and there is little evidence of that compensation which opponents of the Currency Reform have sought for in the alleged higher rupee price of the raw produce and the consequent profit to the cultivator. India pays her Home Charges with exports of produce of which wheat generally forms an important item, yet each million pounds sterling of Home Charges now absorbs 295,000 tons of wheat against 185,000 tons in the shipping season of 1885, when the rupee price was about the same as it was a month ago. In other words, the wheat cultivator of India must now devote 60 per cent more labour than formerly to the discharge of the proportion of the country's foreign indebtedness. Sir David Barbour, writing in the *National Review*, of April, 1885, remarks: "A very simple calculation will show that in order to meet payments fixed in gold, India has now to give (following Mr. Sauerbeck's figures), 66 per cent more produce than would have been required twenty or thirty years ago. It may be argued that if India has to give more produce in order to discharge her gold debts she has received compensation in the form of improvements in production and reduced cost of carriage. This contention is sound to a certain extent. I do not think that improved methods of production come to much in India, but the reduction in the cost of carriage is considerable. On the whole, the considerations afford compensation for only a fraction of the additional burden."

I entirely agree with Mr. Wacha and Mr. Gokhale in the remarks they have made regarding the Exchange compensation allowance. There was absolutely no justification whatever for diverting more than a crore of rupees of the taxpayers' money for the benefit of a class of officials who were already paid on an exceedingly liberal scale such as is known in no other country. There was some hardship, no doubt caused by dear exchange, but the hardship was greatly exaggerated, and no regard was paid to the fact that the Indian taxpayers through Government were suffering far more from the depreciation of the silver currency than the officials themselves. Even the uncovenanted civil servants, whose pay and pension are fixed in rupees, were paid

Exchange
Compensation
Allowance

* Gross expenditure in England was in 1879 (including exchange)	£28,755,648
Deducting receipts, the net increase between 1874-5 and 1894-5 is—	
Increase in Expenditure	£1,751,745
Less Receipts	£11,153,346
	£12,403,247

this compensation Professor Gokhale points out that the concession in regard to those whose salaries are fixed by statute in rupees is illegal, and the question of their legality or otherwise is under consideration. If the English official suffered loss in his remittances to England, the taxpayers who had to meet the sterling charges of the Government had to suffer even a more serious loss. The Indian taxpayer is an exceedingly poor person, whereas the English official is an exceedingly well remunerated person for his service. The considerations which prevailed when the present salaries were fixed more than 100 years ago do not possess the same weight now. The English official in India is no longer an exile, and India is not a land of woes. I believe it is also a fact that living in England has within the last twenty years become cheaper, so that that portion of the Anglo Indian officials' family remaining in England can now live on reduced amounts. In fact, the whole transaction looks like one prompted by selfishness, and, looking to the special circumstances of the time then, shows an extreme want of sympathy with suffering people. The Exchange compensation allowance rendered the import duties necessary, and since it became a regular item of public expenditure, the Provincial Governments have been badly handicapped, a good deal of the margin between their revenue and expenditure being absorbed by these allowances. The amount borne by the Local Governments on this account was Rs. 423,700.

Increase of Taxation

Since the year 1884 there has been an increase of Rs. 5,500,000 in the Imperial Revenue due to additional taxation. If the Provincial Revenues were taken into account, the total increase would be more than Rs. 7,000,000. This does not include Land Revenue, which has increased within the last ten years from Rs. 21,832,211 to 25,408,272, excluding the revenue due to irrigation. A portion of the increase is due no doubt, to the annexation of Burma. But Upper Burma brings no addition to the Revenues of the State. Including its Military charges, it is unable to meet all its expenditure. The annexation of that Province has brought no good to the Indian people. They did not want it, and they have not been profited by it. The annexation was made for purposes connected with Imperial interests and the Indian people would be very glad to see the two Burmas taken away from the Indian Government altogether and constituted into a separate dominion. Though the money and the men that were needed for the conquest and pacification of Burma were supplied by the Indian taxpayers, the Indians are excluded from the public service, the higher appointments being exclusively held by Europeans. To add insult to injury, it is seriously said that the Burmese have contempt for Indians, and would dislike their employment in the services of their country. Burma has appropriated a good portion of the increased proceeds of taxation, and the rest has been mostly spent for Military purposes and for compensation allowance to European employees, whereas the increase of expenditure has been very moderate on the education of the people on the protection of the life and property, on the extension of communication in rural areas on irrigation works, and on the cheapening and rendering more accessible of the administration of justice, which are services, I need hardly add, more appreciated by the people.

Famine Insurance Grant

A good deal has been said and written about the Famine Insurance Grant, while some people maintain that the original license tax was imposed specially for this purpose, and that the one and a half millions which that tax yielded is an amount of Revenue to be assigned under the most distinct pledge of the Government to railways to protect the people against famine, the Government has of late contended that no such pledge was intended to be given.

It is useless now to go into that controversy, which, however, will be remembered as an illustration how unreliable are the assurances of a Government constantly in financial embarrassment. The original grant was Rs. 1,500,000. But this amount has not been always maintained (*vide* Mr. Jacob's figures, page 314, Vol. I of the Report). Financial pressure has compelled the Government to withhold the grant for some years, so that the average assignment since the year 1881 is only Rs. 1,165,261. During the last three years the assignment has been only a million, and the present Finance Minister has said distinctly that this would be the amount of the grant hereafter, because all the chief protective works recommended by the Famine Commission have been executed. In other words, fifty lakhs of rupees out of the fund originally raised for special purposes of protection, which Lord Lytton said "would be religiously set apart" for this purpose, and for this purpose alone, would be absorbed in the general expenditure, that is to say, in meeting the demands of the Military

Department or general administration, or in the construction of commercial railways which benefit the merchants and manufacturers of England more than they benefit the ryots. It is the middlemen and European merchants who reap the benefits of any improvement in the facilities of transport.

In my opinion it would be more just to the taxpayers if the fifty lakhs of rupees, no longer wanted for protective railways, were utilised for the benefit of the ryots in the construction of wells and tanks in opening roads in rural areas, in advances for agricultural improvements, or in the stimulation of industrial education or there should be remission of taxation to this amount.

Two great famines have occurred within the last twenty years, besides other famines confined to smaller areas. They involve the Government in immense expenditure while they last. Not only have large amounts to be spent directly on famine relief, but indirectly the loss of revenue is immense. The following figures taken from the last Financial Statement show the expenditure and loss of revenue attributed to the effects of famine and scarcity during the years 1896-7.

Famines

	Rx
Direct cost of Famine Relief	1,876,200*
Rise in prices in Army Expenditure	196,000
Loss of Revenue—	
Land Revenue	2,394,100
Salt Revenue	261,800
Other Revenues in N W P and Bombay (excluding Stamp Revenue)	373,600
Loss of Railway Revenue (net)	1,234,200
Total	6,335,900
Gain under Irrigation Revenue	259,500
Net Result	6,066,400

This represents the financial results of the Famine to the State. But the direct consequences to the people are frightful. The amount of physical and moral deterioration which these famines bring over the people is simply incalculable. The recurrence of famines from time to time points with irresistible force to the necessity of reducing the burden of taxation on the people, more especially the land revenue, by the adoption of a more reasonable and less oppressive system of raising it. The drain of the country's money and military expenditure should be reduced.

I shall now request the permission of the Commission to go into the figures of a few departments of Madras to show that there is great room for increased expenditure in these departments, that the expenditure is comparatively very moderate, because other departments in which the Supreme Government is more interested take away most of the money available, and that the economies which are possible by a larger employment of Indians are neglected. To take the Educational Department first—

The Educational Department of Madras

The Educational Department has suffered most by the extravagance of other Departments. It is the Budget of this Department that is cut short first whenever money is needed for any extraordinary item of expenditure, so that we may say that this Department is starved.

Educational Department

2. The peculiar feature of Public Instruction in this Presidency is, that Government maintains very few institutions of its own. There are only three First Grade Arts Colleges, one Second Grade College, four Professional Colleges, one High School and a few Training Schools, maintained by Government, and the total expenditure on Government institutions was Rs. 912,539, which is far less than the amount spent in the other Provinces by Government on its own institutions. But even this expenditure can be diminished (1) if the fees in Government Colleges, &c., are not so high (2) if a larger proportion of qualified natives are employed in the staff.

The new Educational Service—divided into two branches, the Imperial or European Educational Service and Provincial Service—is the outcome of the Public Service Commission and is supposed to introduce greater economy by giving a larger share in the higher grades of the service to natives. The appointments hitherto monopolized

* Bes des Rx. 14,500 for English expenditure and exchange thereon

more or less by Europeans have been nine Professorships, four Inspectorships, and three Principalships, and one Vice Principalship. According to the new scheme only three Professorships and two Inspectorships are thrown open to natives. This is anything but adequate. There is an increasing number of qualified natives who have secured the highest University honours in Great Britain. (One of the recommendations of the Educational Commission is to the effect that natives who have received an English training should be given appointments in the Educational Service.) These men are perfectly qualified to fill Professorships and Inspectorships. It is noteworthy that the only Science Professors in India who have achieved European fame by their original researches in science are natives of India, Dr Bose and Dr Roy, and yet, strange to say, in the new scheme no Professorship of Science is to be held by a native of India, and the only Professorships that they are considered competent to fill are the Professorships of Mathematics, Sanskrit, and History, or Philosophy. Even these are not given always to Indians, the Professorship of Sanskrit in the Presidency College of Madras was about to be given away to a German, but the Secretary of State vetoed the proposal and appointed a Hindu.

The money spent on the Law College Buildings is sheer waste when we take into consideration the other educational needs. The aided schools and colleges are being starved. A paltry sum of 1,50,000 rupees is spent on results grants. The total grants paid from Provincial funds amounted to Rs 6,19,780 in 1895-6, when the total number of institutions in the Presidency was 20,066, and pupils 791,634. In 1890-1 the total amount spent on grants from Provincial Funds was Rs 6,40,341 and yet in that year the number of institutions was only 22,028, and pupils 644,164. Thus, when the number of institutions and pupils was smaller, more money was spent and aided institutions are starved. The payment by results has become more or less a farce. For years past the schools have not been getting the actual amounts earned, but only a fraction of that amount on account of want of funds. The Director of Public Instruction in accounting for the district falling off in kindergarten and object lessons in all the standards (p. 106, D P L Report for 1895-6) gives as one of the reasons, 'the paltry rate of results grants provided for them in the Grant in aid Code, and adds, 'A third and a very formidable reason, indeed, is the want of monetary inducement to managers to teach these subjects: the assignment we are able to make to schools annually as results grants being small, and such as can be earned by passing pupils in the compulsory subjects alone.'

The assignment for salary grants amounts to Rs 2,70,000 and a large number of High Schools do not receive any assistance from Government.

As regards furniture grants the Director himself says (page 107) "Only about Rs 12,000 a year from public funds are given as grants in aid to managers for the better equipment of their schools. Managers of primary schools in outlying villages are often quite unable to do anything to provide their schools with even the simplest articles." (Page 106.)

Female education, of which the importance cannot be exaggerated in India, makes but slow progress owing to want of funds. The increase in the number of girls in girls' schools for a whole year was only 211, which, the Director of Public Instruction remarks, "is insignificant, and lends support to my statement in the last report that no appreciable advance will be made in the number of girls' schools unless additional funds are provided which would allow of assignment to such schools being raised. It is somewhat different in regard to girls in boys' schools, the managers of such schools being interested in admitting as many girls as possible, with the certainty of earning the full amount of assignment easily, each girl earning for them a larger amount than each boy."

According to the last Administration Report, seventy six per cent of the boys in the primary school age—that is, three boys out of every four—are not in school, that only thirty seven per cent of the net cost could be assigned to schools in 1895-6 and that 13,702 villages with 200 or more inhabitants, and 20,215 villages or village groups with less than 200 inhabitants, are yet unprovided with any means of educating their children. The above figures indicate the extent of the work to be done before three-fourths, or even one half of the boys of school age are brought under the civilising influence of education. The charge for the lower primary education of boys, except in the municipalities and the agency tracts, is a liability on local funds. Unless, therefore, local boards are able to assign an annually increasing allotment for education, it is futile to expect any large extension of the sphere of primary education.

enlistments, and remarks that the abundance of local labour with higher rates of wages is the chief cause of the difficulty. The District Magistrate remarks that the administration of the force in that district is uphill work, with the strength 39 short and with only 414 out of 720 able to read and write. The Superintendent and Deputy Inspector General considers that an increase of pay to the rank and file is the only solution of the difficulty. During the year, attention has been given to the grant of rewards where special detective ability has been shown, and arrangements are now made to keep recruits as near as possible to their homes, recruiting parties were sent to all neighbouring districts where recruits were likely to be found. The result of these efforts has not been encouraging . . . Out of the 57 men enlisted during the year 19 were under chest measurement, and 6 over age and undersize, and 24 were illiterate. The result of this is, no doubt, to make Police work specially difficult in the district. In Chingleput the Superintendent again reports on the difficulty of getting full sized, healthy men. Head Constables are of four grades, on Rs 25, 20, 15, and 12 respectively. They are Station House Officers, entrusted with responsible powers. They are promoted from the rank of constables, and in point of social position or education they do not differ much from them. It is dangerous that such men should be invested with the power of investigating and prosecuting cases, searching houses, and so on. These should be men of better social position and education, and should receive higher salaries.

The Inspectors are no doubt a better class of men but are hardly up to the mark. Their salaries range from Rs 75 to 200, but it is quite possible to obtain young men of decent education to fill their places. Out of a total of 408 inspectors, 134 have not passed any public examination, out of the remainder of 274 Inspectors, 4 have passed the B L, 28 B A, 33 F A, and 144 Matriculation.

There can be no doubt that the Police Administration is very inefficient, and this inefficiency is mostly due to the fact of more or less incompetent Europeans being pitchforked into these appointments. The internal administration is bad, the percentage of detection is very low; and the recovery of property is not better. In the last Administration Report, the Inspector General remarks "I remarked in last year's Report that I considered men had been treated with undue leniency in this district (Krishna) by Mr Prendergast, and the visits of inspection paid to the districts by myself and the Deputy Inspector General confirmed the view then taken. Both Mr. Young and I found that discipline was unsatisfactory, and that far too little work was exacted from the men . . . In Bellary the number of punishments increased, and here also there are grounds for thinking that Colonel Hodgson, the previous Superintendent, had allowed matters to slide too much." Of Malabar, the Superintendent writes. "Much care has been exercised, the Assistant Superintendent aiding me well in controlling the morale of the force. *It will yet take some time to produce what is needed badly.*" "The falling off in the number of men punished in North Arcot is not satisfactory . . . I remarked then in my inspection notes that detection was falling off, and that the former strictness in the matter of drill and dress was not maintained. I feel certain that Mr Thomas might have punished very properly in many more instances than was the case."

"The Police in the Ceded Districts are as a body inferior to the Police in any other part of the Presidency. The percentage (of conviction) was on a lower level all through, and the low percentage of persons convicted to persons arrested shows either a great want of intelligence in judging of the value of evidence on the part of the police, or a want of acumen on the part of the Magistracy, or a low standard of intelligence on the part of witnesses." The percentage of conviction in cases prosecuted was 37.7—this is the average, in some districts it was below 25 per cent.

that no complaint against a Police Constable should be entertained by a Magistrate without a previous reference to the Superintendent of Police—a circular which is against the Criminal Procedure Code

Torture is frequently practised by the Police. In concluding a protracted trial of a case of torture against the Police the Sessions Judge of Calicut said in his judgment "In his opinion torture is much more prevalent among the Police than it is generally supposed to be."

Such is the state of the Police in this Presidency. It is inefficient and corrupt, and is officered by men who are often found fault with by the head of the Department and by Government for incompetency. The opinion is general that from the District Superintendent to the constable, in every grade there is much room for the introduction of educated men. The salaries of the force must be increased, and more Indians should be employed in the superintending grades.

The Competitive Examination which is held in London for the selection of men to fill Assistant Superintendents' places should be held in India also. If natives were largely employed there would be, of course, a saving in the salaries, and in compensation allowances. Less money will of course leave the country, and I venture to say the Police Department will show increased efficiency.

(NB. Since writing the above I have read the debate in the Viceregal Legislative Council, and have observed that inefficiency of the Police is a complaint not confined to the Presidency of Madras.)

A reference to the Appendix O, 14, of the Report of the Public Service Commission will give an idea of the effort that has been made for the last twenty five years to bring about a larger employment of Indians in the Public Works Department. Still, at the time that the Public Service Commission reported (1886-7) the number of Europeans and Natives drawing salaries over Rs. 100 a month, employed in the Superior Engineer Establishment was as follows, out of a total of 1,015 Rs.

*Public Works
Department.*

Europeans not domiciled in India (or about 80 per cent. of the whole)	810
Europeans domiciled in India, and Eurasians	119
Natives of India	86
Total	1015

The Public Service Commission recommended that there should be an Imperial branch and a Provincial branch, that the strength of the Imperial branch should not be greater than is necessary for purposes of control and direction, and for the execution and repair of works calling for high Engineering skill, and that the recruitment from the Cooper's Hill Royal Engineering College, which appeared to the Commission excessive, should be regulated accordingly, that the Provincial branches should be of a strength adequate for the construction and maintenance in the several provinces of works not ordinarily calling for high Engineering skill, that the recruitment for the Provincial branches should be made by the direct appointment to the lowest grades of qualified Engineers from the Indian Engineering Colleges, and in exceptional cases by promotion from the upper subordinate grades, and that the number of professional Engineers and military officers employed in the Superior Accounts branch is excessive and should be reduced. So far as I am aware effect has not yet been given to these recommendations. In the statement I have prepared, showing the excessive employment of European agency in the various branches of the Service, the number of Europeans and Indians employed in the department of Public Works is shown. Of a total of 141, Europeans are 118, drawing an aggregate salary of Rs. 10,68,864, whereas the Indians are only 23, drawing Rs. 1,06,987, and the highest appointment held by an Indian is that of an Executive Engineer on Rs. 700. The history of the employment of natives in this department, as in the case of the Civil Service generally, is one of alternate promise and disappointment. So long ago as in 1871, a Committee appointed by the Madras Government reported that *three* appointments as Probationary Assistant Engineers should be annually given to those Students who might attain the most distinguished positions in the list of Bachelors of Civil Engineering. But this recommendation was not fully adopted by the Government, who decided that only one appointment should be made annually instead of three. Subsequently, however, when the appointment was claimed by a distinguished

Bachelor, the Government denied that this was an absolute guarantee. Again the Government of India, in a Resolution in 1882, guaranteed one appointment as Assistant Engineer every year. I think it is under this guarantee that the Indian strength in the Engineer Establishment is even so much as it is now. Indian Engineers do not receive proper encouragement. They are frequently superseded by European subordinates (*vide* Report of the Public Service Commission—abstract of evidence). Not only in the general service, but in the local service also, are the claims of Indian graduates superseded. The kind of public works which—what we call District Boards in Madras—have to execute do not require a high engineering skill. Still the Engineers of these District Boards are Europeans, receiving compensation allowance.

EUROPEANS AND INDIANS EMPLOYED IN VARIOUS DEPARTMENTS IN THE MADRAS PRESIDENCY.

Name of Department	Total No of Appointments on and above Rs 250 per mo.	EUROPEAN		INDIAN	
		No	Annual Cost	No	Annual Cost,
			Rs a p		Rs a p
Members of the I.C.S. (including 5 Statutory Civils)	160	150	2 909 484 13 0	10	95 732 12 0
Police	66	64	465 000	2	7 200
Educational	51	23	251 624	28	118 476
Ecclesiastical	41	41	414 360	—	—
Marine	18	18	99 160	—	—
Prison	10	10	90 640	—	—
Political (including Consuls)	7	7	79 568	—	—
Financial	9	6	69 368	3	15 120
Medical	56	52	637 924	4	28 200
Post Office	20	17	116 540	3	11 400
Telegraph	23	23	123 300	—	—
Forest	42	40	259 400	2	7 200
Customs	4	4	49 000	—	—
Survey	19	16	130 400	3	11 800
Salt and Abkari	101	86	462 636	15	54 553 14 0
Public Works	141	118	1 068 564	23	106 197
Judicial	155	45	252 948	11	53 454

advantages she derives from Her Majesty's Government and Her Majesty's Navy, treating India more generously than she is at present treated in these accounts, the acceptance of such a recommendation would remove many constant causes of irritation, and would do much to convince all classes in India of the desire of this country, which rules India, to treat India justly and generously. General Brackenbury very truly pointed out, that Great Britain rules India not for the exclusive benefit of India, but for her own benefit also. He said 'Look at the hundreds and thousands of people that we know whose sons have gone out to India and got employment there, and the great commerce which we have with India and with regard to that, what I would point out is that if India, for instance, were to fall into the hands of Russia, we know perfectly well that our commerce there would become practically extinct, because, if she did not practically prohibit the importation of British goods, Russia would put on such differential duties on them that she would make it practically impossible for them to be imported, as she does in Central Asia and elsewhere. Well, then, if the possession of India is so important for the commerce of the United Kingdom, for the livelihood of hundreds and thousands of her people, for her prestige and influence in the world, and, I may add, for her very existence in India, is she not bound to pay a portion at least of the cost of that possession? The possession is secured not by the Army only, but by the costly European agency employed to control and direct the Civil administration. The cost of this whole European agency—the Military as well as the Civil European agency—is now entirely borne by the Indian taxpayers. This alien agency is kept in India avowedly with the view of maintaining British supremacy. In reply to the representations of the Indian people that their claim for employment in the higher branches of the services is persistently ignored, British statesmen have repeatedly said that a certain minimum would be indispensable in order to maintain British rule in India. The money drain is not the sole evil of India's foreign domination, but the moral deterioration of the people is its worst evil. Under the existing system of Government, the Indian people must ever be hewers of wood and drawers of water. British rule provides no opening for the ambition of individuals or for the aspiration of the nation. No Indian can hope to become a great statesman, a diplomatist, a general or an administrator, not to speak of the nation being allowed its right to govern itself. This pecuniary drain and this moral deterioration give my country a claim on the sympathy and generosity of the British people. I do not in the least mean to under estimate the benefits that India has derived and is deriving from British rule. Far from it. But my position is, that if India has benefited from that rule, to Britain the Indian possessions has been much more beneficial, and the ruling country, while paying in some measure for these benefits, should afford adequate compensation for the evils it necessarily inflicts on the dependent country. I would therefore say that *England should pay for all that portion of the Military charges which are incurred not for the purpose of maintaining peace and order within the boundaries of India, but for the purpose of upholding her supremacy in Asia and indirectly in the world.* She should also pay a moiety of the charges incurred for the salaries of European employes in the Military and the Civil Service of India. All charges incurred since the time of and including the second Afghan War in the North West Frontier should be equally divided between the two countries. The entire cost of the conquest and that of subsequent administration of Upper Burma should be refunded to India. Whenever any Indian troops are sent out of Indian frontiers at the instance of the British Government, the whole cost should be borne by the British Exchequer.

The frontiers of India should be defined by a Statute, and they should not be extended at the expense of her taxpayers.

Whenever any difference may arise between the Government of India and Her Majesty's Government regarding the apportionment of charges the decision should be vested in the Judicial Committee of the Privy Council, which is a tribunal already in existence and which would obviate the necessity of finding Arbitrators in whom both the parties would have confidence. The Judicial Committee of the Privy Council is well known in India, and commands universal confidence as an impartial and unbiased tribunal.

It is true that there are no true surpluses in the Indian Finance, due to increased revenues resulting from the taxpayer's prosperity. The surpluses are, in most cases, arrived at by fresh taxation, by loans, or by reduction of the normal standard of expenditure. I have prepared the following statement to prove this —

*Surpluses and
Deficits since
1884-85*

1884 85	Deficit	Rx 0 39 millions }			
1885 86	Surplus	" 2 81 "		Total	
1886 87	Surplus	" 0 18 "		Deficit	Rx 5 039 000
1887 88	Deficit	" 2 03 "			
1888 89	Surplus	Rx 37,000			
1889 90		" 2,612 000		Total	
1890 91		" 3,688 000		Surplus	Rx 6 804 000
1891 92		" 467,000			
1892 93	Deficit	" 833 412		Total	
1893 94		" 1,546 998		Deficit	Rx 2,380 410
1894 95	Surplus	" 693 110		Total	
1895 96		" 1,533,998		Surplus	Rx 2 227,108
1896 97	Deficit Rev	Est Rx 1,986 900		Total	
1897 98	" Budg	Est Rx 2 464 000		Deficit	Rx 4,450 900
Total Deficit during the 14 years			Rx 11 870 310		
Surplus			Rx 9 031,108		
Total net Deficit			Rx 2 839 202		

The first period of deficits, that is the four years ending 1887 8, was the period when the addition to the Army was made and Upper Burma was annexed. It was a period of great trial. Financial equilibrium was restored by an increase of the Salt duty, the imposition of an import duty on petroleum, the absorption of the Famine Grant, the appointment of a Finance Committee to enforce reductions of expenditure, and the appropriation by the Government of India of Rx 640,000 yearly from the Revenues at the disposal of local Governments. In the Financial Statement of 1887, the Finance Minister said "For the present, therefore until the outcome of the present difficulties is seen more clearly, the Government considers that in providing for the necessary expenditure arising from its administrative needs, it should avail itself of the resources which, in times of surplus, are assigned from its resources to the construction of railways or to the diminution of the amounts which it borrows annually for railways. In other words, it was contemplated, in subsequent years, to reduce the expenditure on railways or to borrow more largely than the Government would have done under better circumstances. As a fact, in the years 1885 6 and 1886 7 so much as £7 700 000 was borrowed in England for the construction of railways, although the declared policy of the Government is to borrow in India for this purpose. There was also the usual increase in these two years of the Government's 'Debts and Obligations' in India to Rx 202 160 459. Measures of additional taxation referred to above were taken in the latter part of the year 1887 and were estimated to produce about Rx 1 900 000. But, as they were introduced at the end of the year, they had but little effect on the Revenues of that year. In sanctioning this additional taxation, the Secretary of State examined and reviewed the financial relations between the Government of India and Provincial Governments, and pointed out the inequality of the existing arrangements which secured freedom from financial difficulties to Local Governments while the Supreme Government might be passing through a phase of acute embarrassment. The Government of India was requested to reconsider the propriety of arrangements which protected Local Governments from sharing in the financial responsibilities of the Empire and from contributing to their relief. Proposals were accordingly made in October, 1888 which ended in contributions from Local Governments to the amount of Rx 740 000 in aid of Imperial revenues although at that time hardly eighteen months had elapsed since the so called quinquennial contracts had been settled.

* Between 1884 85 and the Budget Statement of 1887 88 total new demands on revenues were Rx 4 750 000. These demands were met as follows —

Imposition of Income Tax	Rx 500 000
Other Improvements of Revenue	Rx 960 000
Resumption of Famine Grant	Rx 1 450 000
Reduction in outlay on Railway construction	Rx 260 000
Diminution in the amount of Revenue assigned to the Provincial Governments causing a reduction of the public works expenditure by	Rx 500 000
Absorption of the prescribed Surplus	Rx 500 000

In the year 1888-9, notwithstanding the addition of nearly two millions that the new taxation was expected to bring a deficit was estimated for, after including considerable sums in the expenditure of the year for Special Defence Works and for Military Expeditions, which were Rs 1,121,500 and Rs 387,500 (the latter being Rs 14,500 on Black Mountain Expedition and Rs 210,000 on account of Sikhim, besides Rs 35,000 on account of the Lashai Expedition)

On January 27th, 1888, Mr (now Sir J) Westland summarised the position thus "The fall in the value of silver, the necessity of improving our Military strength, and the expenditure connected with the occupation of a new Province, had absorbed not only the three years improvement of Revenue, but the whole of the margin which we possessed in 1884-5 Every rupee of the Revenue shown in the estimates of 1887-8 was pledged, as the Financial Statement put it, "for the necessary expenditure arising from our administrative needs and for the risks of war and of famine and of exchange and of opium, nothing whatever was reserved Nay, more, we were pledged to heavy expenditure upon the defences of our harbours and of our North West frontier, and this expenditure all unremunerative as it is, was entirely provided for by borrowed money

The accounts of this year (1888-9) showed a nominal surplus of Rs 37,000, instead of the estimated deficit, due no doubt, to the increased taxation of the previous year and the absorption of the Famine Grant, which both improved the Revenue to the extent of nearly 2½ millions This year and the three succeeding years were years of surplus The years 1889-90 and 1890-1 especially were good years But it will be presently seen that the surpluses were not due to any increased capacity of the people to pay taxes as the result of their prosperity, but were due mainly to temporary causes and to increased taxation It will be seen from the statement which I have given at the beginning, that the aggregate surplus of these four years was Rs 6,804,000 but against this have to be set off chiefly the additional taxation of Rs 1,900,000 (imposed in the latter part of the year 1887), which in four years should have yielded about Rs 7,600,000, and the savings from the Famine Insurance Grant, which amounted to nearly two millions, total Rs 9,600,000 Rise in exchange was the cause of considerable saving in expenditure, and there was, besides, a contribution from Local Governments

In the year 1889-90, the surplus was, owing "to a temporary improvement, under opium to the extent of Rs 995,200, to a general growth of Revenue, amounting to Rs 766,500 to short expenditure on special defences and in connection with the Army by Rs 344,500 to reduction in the interest charge by Rs 230,900, to improvement in the Railway Revenue account which, with other heads, yielded Rs 289,800 and to a rise in the rate of Exchange which favourably affected the Revenue by Rs 200,000 There was also a special contribution of Rs 490,000 from Local Governments (*vide* Fin St for 1890-1, para 9) The surplus of 1890-1 namely, Rs 3,688,000 was the largest ever realised during the last forty six years But of the causes that contributed to this surplus, the following remarks of the Finance Minister are worth consideration

"Of the increase in Civil Revenue, some represent a growth of revenue which will in all probability be permanent but a portion of the increase under Salt is due to a change in the date of payment of the duty in Madras, and is merely temporary, while the increase in mint receipts and the chief increases in the Home Accounts are due to special causes, and cannot be expected to occur in future years The growth of permanent Revenue during the year has been moderate, Civil Expenditure shows a reduction of Rs 86,400 There were savings in expenditure, under opium (Rs 110,000) and stationery and printing (Rs 44,000), there was also a saving of Rs 65,300 in the cost of police, most of it in Upper Burma A remarkable rise in Exchange* and short expenditure on special defence works have caused a great increase in the estimated surplus of the year The large surplus of the year 1890-1, as now estimated, does not arise from causes which can be contemplated with complete satisfaction The rise in Exchange has already been lost to a very great extent, the fall in the price of opium continues, and the receipts under XXIV, Exchange, will diminish still further as the total transactions from which they arise are reduced in

* Fully one half of the total surplus is due to this cause The average rate of Exchange for the year was 1s. 6 89d as against the Budget Estimate of 1s. 4 35d.

amount, and the short expenditure under Special Defences is a postponement of the burden, and not a real saving "

The years 1891-2 was one of nominal surplus, of Rx 467,000 It swallowed up the improvement in the revenues of the two previous years—improvements due, it must be remembered, to a rise in Exchange, to short expenditure for Military purposes, and to reductions in Famine Grants, besides the proceeds of the additional taxation. This year the expenditure on Military Works and Special Defences, and on Famine Insurance, was restored to the normal standard In the following remarks the Finance Minister explains how the improvements of 1889-90 and 1890-1 were swallowed up by increased expenditure in 1891-2, which brought the period of so-called financial prosperity to a close — 'During these two years (1889-90 and 1890-1) there was an improvement of Rx 2,628,200 in the Revenues, and there was a reduction of the charge for Ordinary Debt and of the charge for Exchange These two improvements yielded a total gain of Rx 3,102,200 But in the succeeding year (1891-2) special causes absorbed nearly the whole of this gain In the first place, I may mention that the cessation of the special contribution from Local Governments absorbs Rx 490,000 of the improvement The reduction in net Opium Revenue absorbs a further sum of Rx 576,900 The falling off in receipts under XIV, Exchange, accounts for Rx 485,900 The restoration of the Famine Grant has taken Rx 960,000 Under Military expenditure of all kinds (Army, Military Works, and Special Defences) there is an increase of £621,600 in England, and only a decrease of Rx 610,200 in India (of which Rx 300,000 is due to the effect of Exchange on the pay of British troops There is also a special charge in 1891-2 of Rx 188,000 on account of the Census In this way, the whole improvement of Rx 3,102,200 is practically accounted for'

1892-3 and 1893-4 were years of deficit The Exchange was rapidly falling and caused an addition to the expenditure of Rx 4,142,400 This was the period when the Government tried to solve the currency question of India, and granted compensation allowance to its European employees To meet the new demands Government had recourse to fresh loans The measures for the permanent restoration of equilibrium were delayed till the end of the year 1893, in view of the expected decision of the Home Authorities regarding the currency question On March 10th, 1894, that is at the end of the financial year 1893-4, a Bill was passed for the re-imposition of Import duties In December of the same year (1894) the cotton duties were revived The deficit in 1892-3 was Rx 833,412 This deficit would have been greater but for the contributions to the extent of Rx 466,000 from Local Governments on a fresh revision of the Provincial Contracts In this year as well as in the previous year the Famine Insurance Grant was to the full extent of Rx 1,500,000 Other causes that improved the Revenues were an improvement under interest owing to Government not having borrowed in India for some years (because it spent less on railway construction and contracted the grant for Famine Insurance), and to investment in Government Securities of a large amount of the Paper Currency Reserve

The year 1893-4 was one of greatest depression The rapid fall in Exchange had landed the Government in a state of the utmost despondency The Government had to find money to cover an estimated deficit of Rx 1,595,000 in the Imperial Account, and of Rx 751,200 in the Provincial and Local Account It had also to find Rx 3,550,000 for expenditure on Railways and Canals, not charged against Revenue, and to provide funds for loans to local bodies, &c., to the extent of Rx 327,900 It had also to meet the payments by the Secretary of State to the extent of £1,589,100, amounting at the Exchange of 1s. 7½d to Rx 3,070,400, of which about one half only was to be recovered in India from the remitters. To do all these a loan of Rx 3,000,000 was to be raised in India The cash balance of Rx 15,204,200 with which the financial year was expected to open, was to be reduced by Rx 2,561,100 These amounts were to be used for public works, for the Secretary of State's Bills, and for other ordinary wants of Government The large net deposits in the Government Savings Banks, the repayment by Bombay Port Trust of a loan of Rx 616,000, and the payment by the Rampore State of the balance of Rx 220,000 of the amount that that State had been paying for the construction of the Moradabad Rampore Railway, these were used to strengthen the Ways and Means.

There were also noteworthy decreases of expenditure in the year 1893-4 under interest, Rx 235,000 under construction of Railways, Rx 118,200 under Special

Defences, Rx 18,600, under Miscellaneous Civil Charges, Rx 32,400, total, Rx 411,100

In the year 1894 5 the surplus was Rx 693,110 This surplus was reached by the combined product of the Tariff Legislation of March, 1894, and of December of the same year, which amounted to, as I calculate, Rx 1,940,700, being the difference between the old and the new tariff duties—or, say, nearly two millions, by a reduction of Rx 500,000 in the Famine Insurance Grant, and by contributions from Local Governments to the extent of Rx 405,000, and by a reduction of expenditure to the extent of a million In regard to the last, the Finance Minister says "It may be mentioned that very strict economy has been insisted on in other expenditure also, and that the grants under many other heads than those mentioned in the two preceding paragraphs would have been larger had it not been for the efforts made to reduce the deficit in the Estimates In fact the difficulties of the position have for the last year or two obliged the Government to take every feasible measure to reduce or restrict its current expenditure ' Yet in the face of this necessity compensation allowances to the extent of Rx 1,113,300 were granted, and the Wazari expedition was undertaken, which cost the Government that year Rx 195,000, and something more in the succeeding year

The year 1895 6 shows a surplus of Rx. 1,533,998 This surplus was arrived at by saving of interest to the extent of Rx 524,800 owing to the conversion of the Rupee Debt from 4½ to 3½ per cent, by an improvement in Customs Duties to the extent of Rx 1,882,900, by the Famine Grant being limited to Rx. 1,000,000, and by an increase in Land Revenue, among others, due partly to suspensions carried forward from the previous year and partly to increased assessments on revision of settlements This year the Chitral Expedition cost Rx 1,749,700 *plus* £16,000, besides political expenditure, which comes to Rx 20,000 (Financial Statement, Paragraph 11) Exchange compensation was estimated to cost Rx 1 456,500

In the years 1896 7 and 1897 8 a deficit has been estimated for, chiefly on account of famine expenditure, though Exchange has improved The improvement under Exchange, according to the estimates of 1896 7 and 1897 8, amounts in the two years to nearly four millions Rx, and the same cause gave the Government in the years 1889 90 and 1890 91 an improvement of over two millions Still, the Government has been unable to remit taxation to any extent If the falling Exchange has been the cause of all our financial troubles, it is but reasonable to expect that when the Exchange improves there would be a proportionate relaxation of the pressure, ending in the taxpayer's burden being lightened It may be urged that the famine renders all remission of taxation out of the question at the present moment But this is exactly our complaint, that the Government is always content to live from hand to mouth, works up the expenditure to the last pie of its revenues, leaves itself in ordinary years no margin which may be utilised in times of unusual or unexpected difficulties Famine is not an occurrence which the Government cannot foresee In fact, successive Finance ministers have referred to it as a contingency which might at any time face the Government. Yet, when it actually comes, it has recourse to borrowing as the only source of help available In fact, the policy of 1877, that of providing a Famine Insurance Fund from special taxation for that exclusive purpose, has borne no practical fruit If that policy had not been adopted, there would have been an addition of about twelve millions, to the debt for the purposes of Famine protection but by the side of a total indebtedness of over 220 millions, this would be a trifle But at the same time the people have paid more than 25 millions in the name of insurance against famine The people would have been distinct gainers if there had been no Famine Insurance Fund

5.—EVIDENCE-IN-CHIEF OF THE HON. SURENDRA NATH BANERJEA.

MAY 17th, 1898

Qualifications

I am Honorary Secretary of the Indian Association and have been so for the last ten years. The Indian Association is a political body which has in view the promotion of the political advancement of the people by every legitimate and constitutional means. It was founded in Calcutta in 1876, and has branch and affiliated Associations in different parts of the country. I am also a Member of the Bengal Legislative Council and have been so for the last four years, having been twice elected by the Calcutta Corporation, of which I am a member. I am also Honorary Presidency Magistrate and Justice of the Peace for the town of Calcutta, and Honorary Magistrate of Barrackpur. I am Chairman of the North Barrackpur Municipality, am Editor of the *Bengal*, a weekly newspaper in English published in Calcutta, and am Proprietor of the Ripon College, which is an unaided independent College teaching up to the B.A. and B.L. standards and its branches. I was President of the Indian National Congress in December, 1895.

interest was 5 per cent. It has gone down to $3\frac{1}{2}$ per cent. What is true of the Calcutta Municipality is true of most other municipalities in Bengal, where the representatives of the ratepayers control the expenditure. It is perfectly true that even if the Members of Council had the right of moving resolutions in respect of financial matters, they would be in a minority under the existing constitution of the Council. But a unanimous, or a nearly unanimous, vote of the non-official members on a financial question would be an index of popular feeling which the Government would not ignore. I do not regard this duty of controlling the expenditure in any sense as a radical proposal or one calculated to weaken the authority of the Executive Government. On the contrary, by focussing the views of the popular representatives, it will afford the Government a valuable index of popular feeling. It is my impression, though I have not been able to verify it, and I state it for what it is worth, that in the Ceylon Legislative Council, if the non official members are unanimous with regard to any item of expenditure in opposition to the views of the official majority, all action is suspended until the sanction of the Colonial Secretary has been obtained. Some sort of control on the part of the taxpayers has become all the more necessary when it is borne in mind that since 1835 the power of the Finance Minister in checking expenditure has been considerably weakened, owing to the military policy which has been followed in recent years.

As a further check upon expenditure I would recommend that one member of the India Council for each of the three Presidencies of Bengal, Bombay, and Madras, should be elected by the non official members of the Supreme Legislative Council. Periodical enquiry (once in every ten or twenty years) into Indian affairs by a Royal Commission or a Parliamentary Committee would also ensure the same result. The Indian public look back upon the Parliamentary enquiries of the past with mixed feelings. They regret that these enquiries should have been discontinued, they are grateful for the results which they led to. At the Parliamentary Enquiry held in 1832 Raja Ram Mohan Roy, the most illustrious name in modern India, gave his evidence, and he suggested reforms, one of which, at any rate, the separation of judicial and executive functions, has come within the range of practical politics. The enquiry led to the enactment of the Charter Act of 1833, the 87th Section of which removed a grave disability from natives of India. The subsequent Parliamentary Enquiry threw open the Indian Civil Service to general competition, from which natives of India were not excluded. Since then no Parliamentary Committee has been appointed which has borne any fruit. The people of India regard the stoppage of these enquiries as seriously interfering with their progress in obtaining a due share in the administration of their own country.

Conclusion

The remedies, therefore, that I would suggest may briefly be summarised as follows —

- 1 Members of the Legislative Councils should have the right of moving amendments and dividing the Council with regard to items in the Budget, and the Budgets should be laid sufficiently early before the Councils to facilitate discussion.
- 2 A Committee of the House of Commons should be appointed to look into Indian accounts.
- 3 One Member of the India Council in London should be elected by the non official members of the Supreme Legislative Council for each of the three Presidencies of Bengal, Bombay, and Madras.
- 4 Periodical enquiries by Royal Commissions or Parliamentary Committees would promote the ends of economy and good Government.

Provincial Contracts.

There is no question in the whole range of Indian finance of more vital importance to administrative progress, or more deserving of serious consideration, than the question relating to the working of the provincial decentralisation system. It was initiated by Lord Mayo chiefly with a view to definitely "limit for the present the expenditure from the general exchequer on certain important branches of civil expenditure, the very branches, indeed, where, from the progressive spirit of the age, the demands for increased outlay have most arisen and would most arise, and in which, from the nature of the case, the Supreme Central Authority is least able to check the requirements of the Local authorities." (Extract from Sir Richard Temple's speech in introducing the Financial Statement in the Supreme Council on the 9th March, 1871.) The hope was also expressed at the time by the same high authority whom I have just quoted, that the new system thus inaugurated "will teach the people to take a practical share in provincial finance and lead them gradually towards a degree of Local self government,

and will thus conduce to administrative as well as financial improvement " The system underwent a further development in 1877, and a still more remarkable development in 1882 under the auspices of Lord Ripon's Government The principle was adopted that, "instead of giving local governments a fixed sum of money to make good any excess of provincialised expenditure over provincialised receipts, a certain proportion of the Imperial revenue of each province was to be devoted to this object Certain headings were wholly, or with minute local exceptions, only reserved as Imperial, others were divided, in proportions for the most part equal between Imperial and Provincial, the rest were wholly, or with minute Local exceptions only, made Provincial The balance of transfers being against the local Governments was rectified for each Province by a fixed percentage on its land revenue (otherwise reserved as Imperial) except in Burma, where the percentage was extended to the Imperial rice export duty and salt revenue also (Resolution of the Government of India, No 3353, dated Simla, the 30th September, 1881) The declaration was also made that while on the one hand Local Governments must look for no special aid from the Imperial Government, except in cases of severe famine, the Imperial Government would make no demand on them "except in the case of a disaster so abnormal as to exhaust the Imperial reserves, and to necessitate the suspension of the entire machinery of public improvement throughout the Empire" This reservation was partly modified by the subsequent orders of the Secretary of State, who empowered the Imperial Government to demand contributions from the Local Governments upon ordinary emergencies Subsequent contracts have proceeded upon the lines of Lord Ripon's scheme, subject to modifications as to the apportionment of shares between the Imperial and the Provincial Governments Great stress was laid upon the progress of self government as forming a part of the scheme of decentralization in finance which was referred to as affording an opportunity "for the association of natives and Europeans to a greater extent than heretofore in the administration of affairs" Provincial Governments were instructed to hand over "to Local self governments considerable revenues at present kept in their hands" This has not been done to the extent contemplated

Public attention in India has been prominently drawn to this question within the last two or three years, in view of the contracts which have just been concluded. The matter has been discussed in our Conferences, and in the Congress which sat at Calcutta in December, and the general opinion is (and it is an opinion largely shared by Local Governments and Local Officials) that the system, as judged by its practical working for the last twenty five years is essentially faulty, and that it needs revision. The term is too short the resources placed at the disposal of the Local Governments meagre, and in many cases inadequate to meet the urgent needs of domestic improvement, the readjustments are followed by curtailment of domestic expenditure, and by the time the former level is reached the contract period expires and a fresh adjustment takes place leading to a fresh curtailment of expenditure. The process continues to the detriment of the domestic interests of the country, and it leads to considerable irritation between the Imperial and the Local Governments. A system, which is attended with results such as these, must be pronounced to be faulty and to stand in need of revision

What strikes one is the very large proportion of National Income which the Central Government reserves to itself as compared with what it allows to Local Administrations

Taking the accounts of 1895-6, we find it is no less than fully two thirds of the total Revenues of the country as under —

	Crores	Crores (or in Rs. millions.)
Total Revenues	98,370	— 21,859 Railway Receipts
	=	
	76,511 Crores	
Imperial Share	51,547 Crores, or 68 per cent	
	Crores Crores Crores	
Provincial and Local	20,8 plus 40 =	24,870, or 32 per cent.

"Under our present arrangements, the Imperial Government has share of *debt, army, foreign relations, railways, irrigation works, post, telegraph, &c*, while almost the entire work of internal ordinary administration is left to the Provincial Governments — a division of services as between the Central and Local Administrations, much the

same as we have in Federal States, and yet in none of these do we find such a large portion of National Income appropriated to the work of the Central Government. In the German Empire it is no more than thirty five per cent. of the total Revenues, in Switzerland and the United States the National Revenue is, roughly speaking, divided half and half between the Central and Local Administrations. Surely in a country so circumstanced as India is, and where internal improvement is an object of such paramount and transcending importance, a financial system which leaves so little for Local requirements cannot be regarded otherwise than as fundamentally wrong. Our Imperial expenditure is too high, and our army according to the evidence of Lord Lansdowne and Sir Henry Brackenbury, is admittedly on a strength beyond our necessities and in accordance with the requirements of Imperial policy. The army costs, exclusive of Exchange, 25.46 crores, which exceeds the cost of the army of the United Kingdom by close on six crores, and which is equal to the whole army expenditure of the Russian Empire, and amounts to thirty two per cent. of our Revenue.

	Revenue	Army Expenditure	Ratio of Army Expenditure to Revenue
	(In Millions sterling)		
Russia	115	32.9	21 per cent
United Kingdom	91.3	17.8	19
France	138	25.9	19
Germany	165	24	13
Italy	72.4	9.4	13

The next point that arrests attention in connection with these decentralization measures is that while our National Revenues are increasing, though largely through additional taxation, the Provincial Governments hardly get their fair share of the increase, and with the necessary result that the internal progress of the country is seriously retarded, as shown in the following table —

Years	Imperial Sh (In crores, or Rs millions)	Provincial	Total of Imp and Prov
1882-83	40.37	16,334	56.70
1895-96	51.64	20,806	72.44

Thus —

Increase during 14 years —

Imperial share of Gen. Revenues	Crores 11.27
Provincial	4.472
Total	15.7 Crores

From the foregoing table it will be seen that while our Revenues exclusive of Railway receipts and Local rates have increased by 15.7 crores during the past fourteen years, the Provincial share of the Increase is even less than 5 crores, barely 4½ crores, over 11 crores going into the coffers of the Central Government. The result is that while the Imperial Government has been able to add largely to its general expenditure, especially on military account, even in excess of the country's requirements, the Provincial Administrations have had to be content during the past fourteen years with but restricted increases even under the most useful and necessary heads of charge. It will be seen from the following table that while military expenditure, which has increased by over 6 crores from 1882-3 to 1895-6, the expenditure on some of the most important departments intimately bearing upon the improvement of the people increased only by 3 crores.

(In crores)			
Imperial Expenditure	188. 53	1895 96	
Army Expenditure	17 100	23 460	Increase 6 36
Provincial Expenditure	1852 53	1895 96	Increase
Law and Justice	3 255	4 047	792
Police	2 642	4 040	1 398
Education	1 145	1 536	391
Medical Relief	692	1 030	338
Total	7 734	10 653	2 919

The main principles guiding the revisions of the Provincial Contracts are, as stated by Sir A. Colvin in his Financial Statement, 1897 —

- I " That the amount of the funds assigned to Provincial Governments need not exceed or equal, the amount of the expenditure assigned at the time when the Contracts were made Provincial Governments being expected to provide by their own resources the difference between the assigned revenue and expenditure
- II " That the growth of Provincial expenditure during the term of a Contract must be met from growth of Provincial revenue except in cases where considerable expenditure is incurred by Local Governments to meet the wishes of the Government of India and to carry into execution projects which are pressed upon it by that Government
- III That the Imperial Government reserves its claim at the expiry of a term of Contract to such share as the circumstances of the time may make necessary in the increase of revenues which have accrued to the Province during the term of the Contract, but which were reserved to the Provincial Government during such term
- IV " That the power of enforcing reduction, on the occasion of a new Contract, of assignments of revenue made at the previous Contract, is a condition implied in the system of Provincial Contracts, and has been uniformly acted on

Revisions conducted upon these lines necessarily introduce an element of uncertainty into Provincial finance which must interfere with the interests of domestic progress and it is to be borne in mind that " financial certainty was one of the aims which the scheme of Lord Mayo had in view Nor does it appear that Lord Mayo's scheme contemplates periodical revisions of the Contracts

When the Imperial and Provincial Governments both fairly start together each with sufficient and sufficiently elastic revenues, it is only right that for all future increase of resources to meet expanding wants they should rely, except under circumstances of abnormal pressure on the development of their own respective sources of income Nothing but harm could result from a periodically recurring attempt on the part of the Imperial Government in normal conditions to revise its financial relations with the dependent Governments and resume for its own purposes in the whole or in part any increase of revenue which might have accrued to them When each has to rely on its own resources there is the strongest motive to economy and careful management all round

The financial difficulties of the Indian Government are urged in justification of the present arrangement They are difficulties which no responsible financial critic could ignore But these difficulties are either temporary or permanent If temporary, they can be met by contributions from the Local Governments if permanent they can be provided for by permanent adjustments which would take note of such difficulties The five years term does not permit of any large schemes of permanent improvement being projected or taken in hand and an uncertainty and a sense of insecurity hang over every effort of the kind and both Sir Auckland Colvin and Sir David Barbour are in favour of longer terms being allowed for the settlements

Government of India—its constitutional possession. The Government of India is a body created by Act of Parliament, and if reference is made to that Act of Parliament, it will be seen that the Revenues of India are the Revenues of the Government of India, and of that body alone.' It is not for me to enter into the legal or constitutional aspect of this question. But the obvious inference which these remarks suggest is that the Provincial Governments, representing the people who contribute the taxes which make up the Revenue, have no part or share in the Revenues of the country, which are at the absolute disposal of the Supreme Government, and that the Supreme Government may dole out these Revenues in any way it pleases. No wonder that the working of the system has been so arbitrary, and has often led to considerable friction between the Supreme and Local Governments.

In Bengal the working of the Provincial System has given rise to much dissatisfaction, and every Lieutenant Governor since the days of Sir Rivers Thompson has had occasion to protest against it. The Contract of 1877 was very favourable to Bengal, as it made over to the Local Government three principal resources of improvable Revenue, viz., Excise, Stamps, and Registration, subject to the payment of certain progressive sums every year to the Imperial Exchequer. "These three heads of improvable Revenue, made over to the management of the Provincial Government, with an income of 165½ lakhs in 1876-7, showed an income of not less than 213 lakhs in 1881-2. The whole of the increase belonged to the Local Government, subject to the reservation to which I have referred. The result was that the Local Government, besides making a special contribution to the Imperial Revenue of 20 lakhs in time of need, increased the staff of executive and judicial officers, provided increased facilities for the administration of justice, increased the Grant on Education, built schools, colleges, and hospitals, &c. (Vide page 22 of the Honourable Mr. Risley's Speech in the Bengal Council on the 1st April, 1893.) Along with these terms Provincial responsibility in respect of public works was enforced, and Local Governments were made responsible for great public works constructed for the benefit of the Province. Bengal was the only Province, however, which was then considered able to bear the whole of its own burden (page 16, Mr. Risley's Budget Speech of 1st April, 1893). The Public Works cess was accordingly levied, now yielding about 40 lakhs of rupees a year, for the maintenance and the payment of the cost and interest charges of certain Public Works, such as the Orissa Canal, Midnapur Canal, &c. Then came the Contract of 1882, which withdrew from the Bengal Government its full share in Excise, Stamps, and Registration. Favourable as this Contract was to the rest of India it was disastrous to Bengal.

Sir Rivers Thompson, who was Lieutenant Governor of Bengal when the Provincial Contract for 1882-7 was in force, thus observed in his review of his five years' administration—

"Sir Ashley Eden enjoyed the advantage of a Provincial Financial Contract with the Supreme Government, which secured to the Province under his control the entire benefit accruing from improved administration, and which in the event, yielded financial results surpassing all anticipation. During the last five years the financial history of Bengal has been altogether different. The Contract of 1877 was succeeded by a settlement which left little scope for the development of the Provincial Revenues, and which speedily necessitated a serious contraction in the scale of Provincial expenditure. It has often been difficult to provide adequately for the ordinary requirements of the Public Service, and it has been necessary rather to seek for opportunities of effecting economies, than of introducing administrative reforms."

The result of the Provincial Contract of 1882-7 was that some important measures, which Sir Rivers Thompson intended, could not be carried out owing to want of means. In September, 1884, before Sir Rivers Thompson could fully realise the financial results of the Provincial Contract for 1882-7, the Government of Bengal, in reporting to the Government of India upon the proposal of the Education Commission, admitted its responsibility for increased expenditure on education to the amount, finally, of 14 lakhs a year (over and above the amount of 34 lakhs, which it was then annually expending) if the recommendation of the Commission were to be carried out to anything like completeness. Of the total increase, 10 lakhs were to be devoted to the direct improvement of primary schools. After a review of the ways and means at his disposal, the Lieutenant Governor estimated that at the then existing rate of development of the revenue he would be able to work up to the total additional grant required in nine years by a continuous enhancement of the educational allotment to

*The Working of
the System in
Bengal*

periodically.' If you take all the surplus, you, to a certain extent, remove all the inducements to the Provincial Government to economise. It is a weakness—the periodical revision may be necessary under present conditions, but it diminishes the value of the system. Take the Province of Bengal, with a population of between seventy and eighty millions of people—well, that province is big enough to have an independent financial system. He goes on to explain that, owing to financial exigencies, the Government of India takes at revision not only its own share of the increase in the divided revenues, but also a portion of the increase that has accrued to the Provincial Government. I do not know that I agree with Sir David Barbour when he says he 'would rather see the Central Government embarrassed than the Provincial Governments starved,' but he is certainly dissatisfied with the existing system. Again, my predecessor, Sir Charles Elliott, speaking with all the authority of the President of the Financial Committee of 1885-6, and an ex member of the Supreme Council when the Bengal Contract of 1892-7 was under consideration, strongly urged a modification of the present system, 'so that the Contract should be a continuing one, not subject to sudden ruptures and renewals, but that its leading principle should be that all the revenues of the Province should be Provincial, the Government of India receiving a certain percentage on the entire sum which should be the contribution of the Province to Imperial Government and defence.' He also represented 'the unreasonableness and the hardship of requiring every Province to give up a constantly increasing share of its revenues whenever a new Contract is framed.' I am not now concerned with defending or advocating Sir Charles Elliott's particular proposals, I take, perhaps, a stronger view than he did of the claims and responsibilities of the Imperial Government. But I quote him as being, with all his unique experience, profoundly dissatisfied with the present system. Sir J. Westland will probably tell us, as he told us last year, and has quite recently told me, that Provincial Governments do not understand the system, or its *raison d'être*. My Lord, I think we do understand it—at any rate, we have learnt by suffering what we have to accept as the authoritative interpretation of it. But what I venture to urge is this: that the Government of India should, with the consent of the Secretary of State, refer the whole question to a conference at which the Provincial Governments should be adequately represented, and endeavour to lay down the lines of a system which would be satisfactory to the Provincial Governments, while meeting fairly the undoubted exigencies of Imperial finance. No system can be sound which, with all its admitted advantages of diminishing Imperial interference in petty details, leads to so much quinquennial buckering and heartburning, and involves so much uncertainty and haphazard in Provincial administration. My Lord, I wish to do nothing to diminish the power or prestige of the Imperial Government. My instincts and experience are all in favour of a strong central Administration. But I do not think that the present system is favourable to strong administration. It places the Imperial Government in what seems to me a false position, a position of apparent antagonism to its own local agents.

The Honourable Mr Stevens, Senior Member of the Board of Revenue, and if I may be permitted to add, one of the most respected members of the Indian Civil Service, thus referred in the course of the recent debate in the Supreme Council to the many urgent reforms, including the increase of the salaries of the ministerial servants, which in consequence of the recent Provincial Contract, had to be postponed—

'But it will not have escaped notice that, during the first three years of the quinquennial period, the balances were but little in excess of the amount which is taken to represent the minimum compatible with the convenience of the Administration, and there could be no greater error than to suppose that there are not highly important improvements, necessary to good government, for which money is urgently needed. I do not propose to enumerate these—still less to support their claims to consideration by elaborate arguments which could have no immediate practical effect. I will mention but one or two.

"In the first rank I would place the reconstitution of the General Hospital, and the improvement to something approaching an European standard of the other large hospitals in Calcutta. The condition of these most important institutions is notoriously very unsatisfactory, yet they are not of mere provincial utility, as regards the patients who resort to them, or as regards their educational functions, and it is not too much to say that, situated as they are in the metropolis of India, and manned, as they are,

From this table it will be seen that under the Contracts of 1897-8 and 1892-3, more than three-fourths of the Revenues of the Province were absorbed by the Imperial Exchequer and were devoted to Imperial purposes, and that less than one-fourth only was left for the most urgent needs of domestic improvement. The Provincial share practically remains the same for ten years, although Bengal is the most progressive of the Indian Provinces.

In consequence of the inadequacy of funds for Provincial purposes, the interests of education and of the administration of justice have not received the measure of attention which they deserve. The sums provided for under the head of Education, were—for 1895-6, Rs. 26,07,890, for 1896-7, Rs. 26,75,000, for 1897-8, Rs. 27,46,000. I may here remark that the Budget estimate for 1896-7 provided an expenditure on education of Rs. 27,76,000, but the amount actually spent was nearly a lakh less, and the estimate for 1897-8, although in excess of the revised estimate for 1896-7, is nearly thirty thousand rupees less than the Budget estimate for 1896-7. His Honour the Lieutenant-Governor remarked, in his Budget Speech from his place in the Bengal Legislative Council on April 4th, 1896—"I admit that Bengal could usefully spend a much larger sum upon Education, and if our finances continue to prosper, I hope to increase the grant considerably." (Council Proceedings for 4th April, 1896, Page 184.) Here we have what I take it as an admission, though undoubtedly a guarded admission, as to the inadequacy of the grant upon Education, coming from the highest authority in the Province. "Bengal could usefully spend a much larger sum" than what had been provided for in the year 1896-7, and yet the whole of the sum provided for that year was not spent. The Budget Estimate for 1896-7 provided for Rs. 27,76,000, the Revised Estimates came up to Rs. 26,75,000, just a lakh of rupees less than the Budget Estimates. The interests of education in Bengal have suffered in another way, owing to the strain upon Provincial Funds. Hitherto a part of the cost of Education in the interior, used to be borne in some districts by the Road Cess Fund. Under recent orders of Government, the Road Cess Fund is to be devoted exclusively to the maintenance of communications, tanks, bridges, &c. The local schools have thus to be entirely maintained out of the proceeds of pounds and *ferries*, and a practically fixed grant, which the Government makes. The result has been that some district schools, which have been in existence for a long time, have had to be closed. It is a complaint which the Indian public have more than once repeated, that in consequence of the pressure upon Provincial funds, roads and communications, which used to be maintained out of Provincial funds, have been thrown as a charge upon local funds, and this source of Revenue available for local purposes has thus been diverted from the maintenance of village tanks and roads to the maintenance of communications previously maintained from the Provincial Revenues. There can be no question but that the expenditure on Education per head of the population is the lowest in India, as compared with other parts of Her Majesty's possessions, as will be seen from the following table—

Name of Country	Population	State Expenditure on Education	Expenditure per head.
United Kingdom	39,134,116	£10,032,835	5s 1½d.
Ceylon	3,008,466	Rs 604,199	3as 2½p.
India	221,172,952	Rs 91,09,723	7 9 p
Natal	46,788	£40,680	17s 4½d
(only white population)			
Cape Colony	1,527,224 *	£176,190	2s 3d
Canada	4,833,239	8,008,967 dollars	1 6 dollars
New South Wales	1,132,234	£738,810	13s
Victoria	1,140,405	£665,394	11s 8d
Austria	23,707,906	14,821,621 florins	6 of a florin
France	38,343,192	192,986,340 francs	5 francs
Germany	51,758,264	69,305,000 marks	1 3 marks
(on Elementary Education only)			
Russia	129,545,000	22,145,000 roubles	17 of a rouble

* Including Kaffirs, who are four fifths of the population on whose education, however, very little is spent

The expenditure under the Courts of Law in Bengal has been Rs 88 26 340 for 1895 6 Rs 88 90 000 (Revised Estimates) for 1896 7 and Rs 89 42 000 (Budget Estimates) for 1897 8 There has been some increase, though part of it no doubt has been due to Exchange Compensation allowance Yet there is nothing about which there have been such frequent complaints as the law's delays, owing to the inadequate number of Civil judges dealing with petty Civil cases That the number of these Munsifs, as we call them (Civil Judges of the first instance), is inadequate to the growing demands of litigation, will appear from the following table which was laid before the Bengal Legislative Council in reply to a question put by me —

1	2	3		4		5	6
Year	Number of Munsifs	Original suits disposed of under ordinary procedure		Original suits disposed of under small cause court procedure		Total	Average number of cases disposed of per Munsif
		Contested	Uncontested	Contested	Uncontested		
1890	262	77 060	244,673	11,168	74 908	407,809	1 556
1891	275	76 815	252,339	12,660	91,075	432 889	1 574
1892	285	84 729	267,647	18 988	137 804	509 168	1 786
1893	289	82,170	268,210	21,610	151 835	523 825	1,812

From the above it will be seen that while the number of cases increased by nearly 28 per cent, the munsifs increased by 10 per cent and yet according to Mr Justice Prinsep, there was a surplus of nearly 14 lakhs of rupees out of Court fee stamps (Page 123, Gazette of India, March 27, 1897) In this connection I would observe that the *European Chamber of Commerce in Calcutta*, a highly influential body, has recently memorialised the Government with a view to raising the pay of the Judges of the High Court

The remarks which I have made above with regard to education and to law and justice apply with greater or less force to all departments of Civil Administration The lower grades of Police in Bengal and the ministerial officers get virtually the pay which was fixed thirty or sixty years ago, though the price of food has increased 75 to 100 per cent And Administration is starved in a variety of ways, and all domestic improvements retarded, while at each quinquennial settlement the Imperial Government demands and obtains from the Provincial Government a large share of the revenues of the country

The proposals which I would venture to submit in connection with the Provincial Contracts are these —

1 That Sir Charles Elliott's suggestion which has been laid before the Commission by Mr Gokhale should if possible, be adopted It is a proposal which would avoid revision afford fiscal certainty, place the local administrations in possession of adequate funds to carry on domestic improvements and at the same time the Provincial revenues would be available for Imperial purposes which would be the first charge upon these revenues

2 If however, it should be found impracticable to accept this suggestion for reasons with which I am unacquainted, I would say that the period of Contract should be raised from five to ten years, that the terms of the Contract on the occasion of each revision should be laid before the Provincial Councils for discussion before final submission to the Supreme Government, the Council being empowered to move amendments in connection with the proposals submitted and that if the Government of India should be unable to accept the terms to any serious extent (say within fifty thousand rupees), the matter should be referred to the Secretary of State for final decision As for allotments they should be made with due regard for provincial needs and wants, and not with reference to past expenditure or past allotments

THE GROWTH OF EXPENDITURE

Services

The question of the wider employment of the people of India in the public service of their own country is more or less a financial problem The expenditure has gone on increasing, especially in the Military Department and Indian public opinion regards the growth of Military expenditure as utterly beyond what the country can bear, and as seriously interfering with legitimate expenditure on the most necessary

domestic improvements. The people of India who are capable of forming a judgment on the subject are at one with Sir H. Brackenbury in the opinion that the cost of the portion of the Indian Army in excess of what is necessary for maintaining the internal peace of the country should be met from the British Exchequer, and the expenses on the salaries of the European portion of the Army ought to be fairly apportioned between England and India. Until this is done the resources of India will not be found equal for the purposes of good and progressive Government, and no improvement is possible in the condition of the masses. By the wider employment of the people of India in the public service economy would be introduced and an impetus imparted to the intellectual and moral elevation of the people. Ten years ago the Public Service Commission presided over by the late Sir Charles Aitchison at that time Lieutenant Governor of the Punjab, and consisting of some of the most distinguished officials and non official representatives of the day, reported upon the question of public employment in India. The gist of their recommendations may be summarized as follows—That indigenous agency should be more largely employed in the public service, that the recruitment of the official staff in England should be curtailed and advantage taken of qualified agency obtainable in India. In other words, the Provincial Service recruited in India should be the backbone of the administrative agency, subject to European supervision and control. Considerations of policy and economy alike require, observed the Commission in their Report 'that so far as is consistent with the ends of good government, the recruitment of the official staff in England should be curtailed and advantage taken of qualified agency obtainable in India. As a matter of fact, however, the higher appointments in almost all branches of the Public Service are held by Europeans, although more than ten years have elapsed since the Commission have submitted their Report. The Public Service Commission found in 1886 that out of 1,015 officers in the superior Engineer establishment, so many as 810 were non domiciled Europeans, 119 Europeans domiciled in India including Eurasians, and only 86 were natives of India. (Page 122, Public Service Commission Report) The Commission observed, to use their own words, recruitment from the Cooper's Hill College as being at 'present excessive. We find, however, that at present there are 800 engineers of the superior establishment of whom only 96 are Indians.

The Public Service Commission recommended that one third of the Judgeships should be held by members of the Provincial Service, the total number of District and Sessions Judges is 126 out of these five only are Indians, according to Mr. Jacob's table. This cannot be correct for in Bengal alone we have seven District and Sessions Judgeships held by members of the Statutory Service. But even in Bengal which is considered to be the most advanced province in the matter of the employment of natives of India in the Public Service, the percentage recommended by the Public Service Commission has not been attained in regard to a class of appointments for which natives of India are considered to be especially qualified, for out of thirty Districts and Sessions Judgeships only seven are held by members of the Statutory Service. According to the recommendation of the Public Service Commission ten of these appointments should be held by them. Further according to the recommendations of the Public Service Commission one membership of the Board of Revenue, one Commissionership of Division, one Under Secretaryship to Government, one Secretaryship to the Board of Revenue should be excluded from the list of reserved appointments and should be held by members of the Provincial Service. With one exception, nowhere are these appointments held by members of the Provincial Service. In the North West Provinces the Secretaryship to the Board of Revenue is held by a member of the Provincial Service. As members of the Statutory and Provincial Services draw two thirds of the salary attached to the reserved posts, when they hold such posts, there would be considerable saving by giving fuller effect to the recommendations of the Public Service Commission. On the Bengal Establishment there are 267 civilians, including members of the Statutory and Provincial Service holding Civil Service appointments, of whom 24 are Indians, and 243 are Europeans. The monthly salaries, including the allowances drawn by the Indians, come up to Rs. 30,000 those drawn by the Europeans come up to Rs. 4,00,000, in round numbers.

In the same way in the Police Department the higher appointments in Bengal are practically monopolised by Europeans though the Public Service Commission distinctly recommend (page 120 of the Report) 'that endeavours should be made to introduce a reasonable proportion of native officers, due regard being always had to

*Covenanted
Appointments*

*The Police
(Bengal
Government)*

the efficiency of the service Including the Calcutta Police there are 108 of these appointments from the post of Superintendents and upwards Of these 101 appointments are held by Europeans and seven only by natives of India The monthly salaries, including allowances of the European employees come up to Rs 60,000 in round numbers, the monthly salaries of the native employees come up to Rs 3,000 in round numbers In this connection I may mention that a competitive examination is held in Calcutta and another in London for recruitment to the higher offices in the Police From these examinations natives of India are excluded, although there is nothing to prevent their appearing at the open Competitive Examinations for the Indian Civil Service, provided of course, they complied with the necessary terms and conditions There seems to be no reason for 'his exclusion on the ground of race', for the Indian District and Assistant Superintendents of Police have done their work admirably, and one of them recently distinguished himself by the capture of a number of dacoits, as will be seen from the following report in the newspapers —

' Babu Girindra Chunder Mukerji, Assistant Superintendent of the Bengal Police, had an encounter with five dacoits on the road connecting Ichhapore and Sharnagar, on Saturday night The dacoits attacked the coachman of the hackney carriage, in which the Police Officer was driving from Naihatty to Barrackpore at midnight Hearing the noise, he jumped out of the carriage, and caught the men They were then placed inside the carriage and brought to the Barrackpore Police Station They will be tried by the Deputy Magistrate of Baraset '

Further, the exclusion of natives of India from the examinations which I have referred to is in direct conflict with the terms of the Proclamation of Her Majesty of the first November, 1858, which, in clear and emphatic terms, laid down that merit was to be the sole test of qualification for office in India, and that Indian subjects, of whatever race or creed, were to be freely admitted to all offices, the duties of which they were qualified by their ability, education, and integrity duly to discharge

In Bengal burglaries and other offences against property are believed to be on the increase, and the people of Bengal attribute this partly to the want of detective power in the European heads of the District Police, and to their want of familiarity with our customs and language It is a notorious fact that a district Superintendent of Police is unable, through his ignorance of the language of the people, to enquire into the ordinary cases of thefts and burglary, and the larger employment of Indians in the Police would, therefore, add to the efficiency of the force, while reducing the total expenditure

In the Public Works Department we find the same thing There are 69 appointments in the superior establishments, of which 53 are held by Europeans and 16 are held by Indians The total monthly salaries, including allowances drawn by the Europeans, come up to Rs 49,000, in round numbers the monthly salaries paid to the Indians come up to Rs 6,000, in round numbers

In the Opium Department, excluding the Opium Agents and the Factory Superintendents, who are covenanted civil and medical officers belonging to the Indian Medical or the Indian Civil Service, we find there are 27 Sub Deputy Opium Agents, classified under five grades, in the Civil List of the Bengal Presidency, corrected up to 1st January, 1897 Together, their salaries come up to Rs 17,600 Not a single native of India has a place in these grades, although the Public Service Commission recommended 'equality of treatment of all classes of Her Majesty's subjects in regard to their appointment to offices in this Department Out of 44 Assistant Sub Deputy Agents, there are only 9 who are natives of India Their monthly salaries come up to Rs 2,250 The monthly salaries paid to the European employees come up to Rs 10,400.

With regard to the employment of the natives of India in the Customs Department, it may not be out of place to quote the remarks of Sir Charles Trevelyan — There are whole classes of employment said Sir Charles Trevelyan, ' for which the natives are specially qualified The natives are specially qualified for Revenue functions The whole of the appointments in the Customs might be filled by natives ' But what are the facts? With one exception, the superior appointments in the Customs Department in Calcutta are filled by Europeans. Their total monthly salaries come up to Rs 12,360 There is not a single Hindu or Mahometan name to be found among the officers of the Preventive Service, although the Public Service Commission recommended that "there is no ground for the exclusion of qualified candidates of any race from the appraiser's or the Preventive Branches of the

Public Works
Department
(Bengal)

Opium Department

Customs
Department

Department.' The Public Service Commission point out that 'native Christians in Bombay have been employed in the Preventive Service, while a Brahmin Preventive Officer in Madras is admittedly efficient, and in discharging his duties has experienced no difficulty owing to his race' (Page 97, Public Service Commission Report) I have been informed that a Parsee gentleman so efficiently performed his duties as an appraiser in the Bombay Customs Department, that he was asked by the authorities, after he had retired on pension, to *rejoin* his appointment on the passing of the recent Tariff Act imposing duties on imported goods

In 1877 there were 67 Commissioned Medical Officers of whom 5 were Indians There were, in addition to the above, 28 uncovenanted Medical Officers Of these 7 were apothecaries (all Europeans) and 3 were Indians In 1887 there were 62 Commissioned Medical Officers of whom only 6 were Indians There were 29 uncovenanted Medical Officers, of whom only 4 were natives of India, the other 25 were Europeans and Eurasians (13 apothecaries and 12 non military medical men) There were 142 Assistant Surgeons In 1897 there were 66 Commissioned Medical Officers, of whom only 4 were Indians Thus practically, the number of commissioned officers on the Bengal establishment who were natives of India, remained stationary for a period extending over twenty years, from 1877 to 1897 In fact, the number in 1897 was slightly less In 1897 there were 36 uncovenanted Civil Medical Officers, of whom only 4 were Indians the rest were Europeans and Eurasians, 25 were apothecaries, and 7 non military Europeans The total amount of monthly pay drawn by the commissioned officers in 1897 was Rs 66,024, out of which the four Indians get Rs 3 870 per month There are 138 Assistant Surgeons, all Indians, drawing a salary of Rs 26 295 among them Thus it will be seen that the 62 European commissioned officers draw more than double the salary of all the assistant surgeons in Bengal put together, whose number, it should be remarked, is double the number of the commissioned officers Roughly speaking the European establishment, superior and subordinate, costs about Rs 75 000 a month, the native subordinate establishment, consisting of 138 Assistant Surgeons, costs about Rs 26,000 a month The European establishment thus costs about 75 per cent, the Native 25 per cent It will thus be seen that while the number of apothecaries holding the higher appointments has increased by over 300 per cent, the number of Natives of India employed has actually decreased There is a distinct tendency to put the apothecaries who are now called Assistant Military Surgeons, over the heads of Indian Assistant Surgeons although their medical training is inferior to that of the Indian Assistant Surgeons Appointments have been taken away from the Indian Assistant Surgeons and given to the Military Assistant Surgeons Their status has been improved They begin on a salary of Rs 75 a month, the assistant surgeons begin on Rs 50 a month as supernumeraries The pay of the Assistant Surgeons was fixed about sixty years ago as follows —3rd grade, Rs 100 2nd grade, Rs 150 and 1st grade, Rs 200 There are, besides, a few prize appointments which carry a higher salary The scale of pay remains unchanged after sixty years notwithstanding the petitions presented to the Government on their behalf, notwithstanding that the pay of the subordinate judicial and executive services has been raised, and notwithstanding the fact that the price of food has more than doubled itself within the last sixty years While the highly paid officers of Government receive Exchange Compensation Allowance, it is remarkable that this deserving class of Indian public servants should continue to draw a scale of pay which was fixed for them sixty years ago

The Medical Service may be so organized as to lead to considerable economy without interfering with efficiency There are at present (July, 1896) about 375 Commissioned Medical Officers in Bengal besides 25 Military Assistant Surgeons who have received honorary commissions Of the Medical Officers who have received their commissions in England about one half are employed on military duties, mainly in military charge of native regiments The remainder are in civil employ The medical charge of a native regiment may with advantage be held by a native Military Assistant Surgeon instead of the more expensive commissioned European Medical Officer

At present to each native Regiment, as well as to each detached wing or squadron, besides one Commissioned Medical Officer, one or generally two, Hospital Assistants are attached for duty These last receive a medical training in vernacular for three years, commence their duty on Rs 20 a month, reaching the maximum of Rs 80 during their service of thirty two years The Commissioned (European) Medical

*Medical Services
(Bengal)*

*Reorganisation of
the Medical
Department*

Officer, when in charge of a Regiment, commences with a minimum of Rs 386 per month, plus on the average 12 per cent on his pay as Exchange Compensation Allowance. In a Cavalry Regiment he draws Rs 65 in addition for Horse Allowance. The pay increases according to the length of service, and there is nothing to prevent him from holding the medical charge of a Regiment for the entire period of his service. Thus, after twenty years service, he may draw Rs 1,000 per month—exclusive of allowances—for doing the same work for which he received Rs 386, plus allowance when he joined the Service. I submit there is no necessity for keeping up such an expensive system, for the following reasons.—The duties of a Military Medical Officer are of two kinds, first, such as those that devolve upon him in cantonments, and those that he is called upon to perform in war time. In cantonments the average daily sick in a Regimental Hospital is under four per cent of the strength. That is, in a Regiment of between 800 or 900 men the numbers of sick Sepoys present in hospital rarely exceeds twenty or twenty five. In a Cavalry Regiment the number is considerably less. The cases as a rule are mostly of a trivial nature, and can be easily treated by a properly qualified native Assistant Surgeon. I consider it as unnecessary waste of money to pay 800 or 1,000 Rs a month to look after twenty sick Sepoys, most of whom are in hospital for very trifling complaints. As for the British officers attached to a native Regiment, I would suggest that they and their families may be looked after by an officer of the Army Medical Staff. Excepting in the Punjab frontier and Assam there is always a detachment of British troops wherever native Regiments are stationed. The Army Medical Staff Officer in medical charge of the British troops can, for a small additional consideration, look after the British officers and their families. On the Punjab frontiers there are generally two native Regiments with a battery of artillery stationed at one place. The senior Medical Officer also performs the duties of the Civil Surgeon of the Station. I would suggest that one Army Medical Staff Officer with a sufficient number of native Assistant Surgeons can perform all the duties just as well and far more inexpensively than what obtains at present.

As for the Medical Service in war time it is admitted that the present arrangement is unsatisfactory. The greatest difficulty is experienced to obtain a sufficient number of Medical Officers. The only alternative is to engage a large number of Commissioned Medical Officers for whom, as I have shown above, there is hardly any work during peace time. The remedy I would suggest is that a sufficient number of native Military Assistant Surgeons may be trained in the country—paid on the scale of Civil Assistant Surgeons, and who will perform all the professional duties—the administrative portion of them being left to experienced officers of the Army Medical Staff. In place of the present system of imperfectly qualified Hospital Assistants and a limited number of very highly paid Commissioned Medical Officers there will be a large number of properly qualified men who will, for all practical purposes, be quite equal to their duties during peace or war.

The present Civil Medical system is open to greater objection. A Civil Surgeon of a district is supposed to look after one or two Hospitals at the Head quarters of a district. Generally speaking, he is in charge of the district jail—not only as a medical officer but as its superintendent. He is the Superintendent of Vaccination for the district as well as sanitary adviser to the head of the district. This by no means finishes the category of his duties. A Lunatic Asylum—a Leper Asylum or a Blind Asylum—sometimes all three, are thrown in the lot. He is also responsible for the meteorological returns of his district. First, as to Hospital work. At places like Benares, Agra, Lucknow, the Civil Surgeon is supposed to look after over 125 beds in the different Hospitals scattered through the town while at Jessore, Faridpur, Npakhaly, the number of beds varies between ten and twelve. It will strike most people that 125 patients are more than what can be properly attended to by a single medical officer, and that looking after five or six patients in hospital is hardly exhaustive work for one medical man. But such is the curious anomaly of the system, that not only the same emoluments are received by the two Medical Officers so differently situated, but the one who has almost nominal work to do can by the present arrangement draw more pay than his infinitely more hard worked confrere. To do away with all these anomalies, and for the better management of hospitals, I would suggest, and I believe the time has arrived to carry out the suggestion that the system which, I understand, obtains in England may be partially adopted in India. There is a large number of properly qualified independent Medical men trained in India as well as in Europe, who

will accept the post of Honorary Surgeons and Physicians in the large hospitals at the Head quarters of the provinces and districts. As to the fitness of the Indians to hold such appointments I would point to the Campbell Hospital, Calcutta, to the comparative list of surgical operations performed by Commissioned European Medical Officers and Indian Civil Assistant Surgeons, as well as to the few Indian Commissioned Medical Officers who have been permitted to hold Civil appointments. In large towns there is generally a hospital for Europeans exclusively. At all these places there are highly qualified independent European medical practitioners, who I am sure will be only too glad to offer their services gratuitously to such institutions. As for the Hospitals for Indians, I would suggest that the appointment of Honorary Physicians and Surgeons may be left in the hands of the municipalities or other local bodies. All the Hospitals suffer for want of funds. The Inspector General of Civil Hospitals, North-Western Provinces, observes in his triennial report, ending December 31st, 1895 (page 20), "As a consequence of the want of means many Civil Surgeons not only find the greatest difficulty in meeting the demands for the most ordinary and inexpensive medicines, but have also to defer or abandon the purchase of necessary instruments" Proper diet, which is such an important factor in the treatment of diseases, is supposed to be adequately supplied at the average cost of one anna per diet (Page 55, N W P. Triennial Report, and page 93, Annual Report of the Dispensaries in the Punjab for 1895) At some places, such as Jhelum and Pind Dadan Khan, that modest amount is supposed to be quite large enough to meet the expenses of even two diets. When it is considered that the average famine diet costs about two annas per head, the sum expended in the nourishment of sick patients in the Indian Hospitals cannot be open to the accusation of wanton waste. At the Ramsay Hospital at Naini Tal, which is a hospital for Europeans, the average cost of each diet is Rs. 3-0-9 (page 75, Triennial Report of the Dispensaries of N W. P., ending 1895), which shows that it is supposed to be the proper expense for a sick diet, and the contrast between this diet and that allowed to the sick natives of India is striking

Such being the state of things it is highly uneconomical to keep up a large number of Military Medical Officers at an enormous cost. In some hospitals the pay alone of the Commissioned Medical Officer comes up to more than the combined expenses of assistants, menial establishment, medicines, surgical instruments, and dieting of all the hospitals and dispensaries of the entire district.

As for instance, the total expenditure during 1895 stood thus in the following districts in the N. W. P. —

Almora	Rs 5,082 2 5, page 51	} Triennial Report, ending 1895
Dehra Dun	Rs 6,582 1 3, page 59	
Etawah	Rs 5,806 14 11, page 63	

If the above were in charge of a Surgeon Captain his pay would come up to Rs 6,600 a year, exclusive of Exchange Compensation allowance. By adopting this method here suggested there would be considerable saving of expense

There are 23 superior appointments in the Forest Department. With a single exception they are all held by Europeans. The monthly salaries drawn by the European members of the Forest Service come up to Rs 12,100, the salary drawn by the single Indian member of the Service is Rs. 300 a month. The Public Service Commission recommended that "the staff should be divided into an Imperial and Provincial Branches, and that as in the Imperial Civil Service the Imperial Branch of the Forest Service should be a *corps d'élite* limited to the number of officers necessary to fill the superior controlling appointments and such a proportion of the Assistant Conservators' posts as will ensure a complete training of the junior officers.' They further recommended "that the Government should keep in view the policy of training in India men qualified to take charge of the higher administrative appointments so as to avoid as far as possible the necessity for expanding the Imperial branch of the Service." From the facts stated above, it does not appear that any serious effort has been made to train natives of India so that they might take charge of the higher appointments, for with one exception these appointments are filled by Europeans.

The Educational Service in Bengal, which has recently been reorganised, has given rise to much dissatisfaction. Under the orders of the Secretary of State "the Department is to be divided broadly into (a) the superior service and (b) the subordinate service. The former will consist of two branches, one including all posts to be

*Forest Department
(Bengal)*

*The Educational
Service (Bengal)*

filled by persons appointed in England, which will be called 'The Indian Educational Service,' and the other including all posts to be filled by recruitment in India, which will be known as 'The Provincial Educational Service.' The Indian Educational Service will consist of 27 officers. The Provincial Service is to consist of 104 officers. The recruitment for the Indian Educational Service taking place in England, it need hardly be observed that natives of India will have little or no chance of appointment to the superior grade. Indeed, it would seem from the orders of Government that natives of India with degrees from the Universities of England, Scotland, and Ireland are now to be admitted only to the Provincial Service, for we find the following laid down in the scheme as sanctioned by the Secretary of State —

"The Provincial Educational Service is to consist of 104 officers, as follow —

- 5 Inspectors of Schools.
- 10 Assistant Inspectors.
- 7 Principals, and
- 51 Professors of Colleges.
- 24 Head masters of Collegiate and Training Schools.
- 7 Others, including the (1) Assistant Superintendent and the (2) Head-master of the School of Art, (3) the Personal Assistant to the Director of Public Instruction, and (4) supernumerary appointments (Professorships) to be filled by Indian gentlemen with degrees from the Universities of England, Scotland and Ireland, or by Premchand Roychand students."

Total 104

The concluding words of the extract which I have quoted support the view which I have put forward, viz., that it appears to be the intention of the Resolution to confine the employment of Indians practically to the Provincial service. There is absolutely no reason for this exclusion, when it is borne in mind that Indian gentlemen in the Educational Service, with degrees from the English Universities, have attained to the distinction which has been achieved by men like Dr Bose and Dr P. C. Roy. They are able to hold their own against any Englishman in the particular departments in which they have won distinction, but in future, under the operation of the new scheme, men like them will be relegated to the Provincial Service. It is indeed the case that the Government of Bengal itself is not satisfied with the scheme, inasmuch as the prospects of the officers in the lower grades are very discouraging, and the scheme fixes the pay of the lowest grade of the Provincial Service at Rs. 150 a month, while the pay of the lowest grade in the other Provinces appears to be higher. This is what Sir Alexander Mackenzie, the Lieutenant Governor of Bengal, observed in this connection in his Resolution dated 26th March, 1897 — "His Honour observes that, owing to the narrowness of the scale of the Provincial Service, as compared with existing salaries, the prospects of officers in the lower classes are very discouraging. For instance, officers now placed in Class VI on Rs. 250 of the Service, are all in Class III (Rs 200-21-300) of the existing Service, and before they can receive any increase of pay, they must rise to the top of Class VI, and then move slowly to the top of Class V. He also observes that the Provincial Services of other Provinces are practically devoid of Class VIII on Rs 150. Sir Alexander Mackenzie regrets this state of things, and, with a view to improving the prospects of the Provincial Service, he proposes at an early date to consider whether something may not be done by assigning a greater number of officers to some of the intermediate classes."

*The Survey
Department of the
Government of
India*

The Public Service Commission in their Report observe that the admission to the junior division should not be confined to special classes of Her Majesty's subjects (evidently referring to the practical exclusion of Indians from the Provincial Service of the Department), but that it should be recruited by competition from among selected candidates (page 152 Public Service Commission's Report). In this Department there has always been considerable objection to the employment of Indians as will be seen from the following memorandum written by Col. De Pru, late head of the Survey Department, which was laid before the Public Service Commission —

"I may here remark incidentally that my numerous late inspections show me that the tendency of the European Surveyors is to stand and look on, while the natives are made to do the drawing and hand printing, as if they thought themselves

quite above that sort of thing. This is a mistake, and cannot be permitted for the future. Besides, it is suicidal for the Europeans to admit that natives can do any one thing better than themselves. They should claim to be superior in *everything*, and only allow natives to take a secondary or subordinate part.

"In my old parties I never permitted a native to touch a theodolite or an original computation on the principle that the triangulation or scientific work was the prerogative of the highly paid European, and the reservation of the scientific work was the only way by which I could keep a distinction so as to justify the different figures respectively drawn by the two classes between the European in office time and the native who ran him so close to all the office duties as well as on field duties. Yet I see that natives commonly do the computation and the Europeans some other inferior duties.

The Public Service Commission also noted the objection to the employment of natives of India in their Report, and they observe — "The Junior Division has been hitherto officered for the most part by Europeans domiciled in India and Eurasians, of whom many have passed the Matriculation Examination of the Indian Universities.

In the year 1884 the Government of India determined that natives should be employed in the Junior Division, believing that educated or trained natives could be found who were competent to perform all the duties of the subordinate staff, and that as the competence of such natives had not been made the subject of trial the presumption of incompetence could not be admitted." (Page 132)

The fact seems to be forgotten that at one time the head of the Computing Department of the great Trigonometrical Survey was a Bengal gentleman (Baboo Radhanath Sikdar), who performed his duties with remarkable ability and efficiency. As it is we find that in the Survey Department, out of 119 appointments in the Provincial Service, only 10 are held by Indians. The monthly salaries and allowances paid to European employees come up to Rs 35715, while the monthly salaries paid to Indian employees come up to Rs 2,012. There is not a single Indian in the six grades of Extra Assistant Superintendents, comprising appointments the salaries of which vary from Rs 300 to Rs 500 a month.

There are in the Indian Telegraph Department 82 superior appointments, exclusive of the Examiner and Deputy Examiner of Accounts. All these appointments, with two exceptions are held by Europeans, and by students passing from Cooper's Hill College. The monthly salaries drawn by the European employees come up to Rs 56,025. The Indian member of the Telegraph Department, who is also a passed student of Cooper's Hill College, draws a monthly salary of Rs 300. There is one other Indian member of the Department who is appointed on the Provincial scale of pay* and gets Rs 150 a month. The Government of India resolved, on the recommendation of the Public Service Commission, to make some appointments to the Telegraph Service on the provincial scale of pay, which is about 66 per cent of the scale of English pay from among the native students of the Thomason College Roorkee (vide Government of India Resolution No 156 P E of 25th August, 1892, P W D). Since the publication of this Resolution, 21 appointments have been made out of which four have been made in India, and of the four only one has been given to an Indian, the other three have been conferred on Eurasians. If the Government had exercised the powers which it assumed by the Resolution referred to above more largely, and the terms of which are quoted in the margin* there would have been a saving of expenditure and a proportionate relief to the finances. The Thomason Engineering College is equipped for the purpose of turning out duly qualified candidates for the Telegraph Service. There seems to be little doubt that some of the Indian Colleges are turning out students whose services might with advantage be utilized for the Telegraph and other scientific departments with considerable relief to the public exchequer. Dr J C Bose, Professor of Science in the Government Presidency College in Calcutta, who has acquired a European reputation by his discoveries in connection with electrical science, thus observed in a paper that he read in this country on the Progress of Science Teaching in India — "The advanced students, whom we hope to train in our laboratories, will form the best material for recruitment to the various scientific departments under the

*The Telegraph
Department*

* The number of appointments shall ordinarily be two and one in alternate years but these numbers may be varied according to the requirements of the Department due notice whereof will be given.

State The students who now work in electric science in our Presidency College Laboratory acquire a very high efficiency in it, and it would be an advantage to the Telegraph Department to utilise their services. Indeed, this was at one time contemplated, and Sir Alfred Croft, the retiring Director of Public Instruction, interested himself in it. It is to be hoped that something will be done in this direction. If the hope expressed by Dr Bose is fulfilled a considerable impetus would be imparted to the teaching of science in India, and the interests of economy would also be ensured. The Public Service Commission practically made the same recommendation. They recommended the gradual reduction of the staff recruited in England, and that a superior local Telegraph Service should be recruited in India from classes to be established at one or more of the Indian Engineering Colleges (page 139).

There are 85 Sub Assistant Superintendents, divided into two grades, 41 being in the first grade and 44 in the second grade. The maximum pay allowed in the first grade is Rs 350 per mensem, in the second the maximum is Rs 275 per mensem. There are only two Indians in these two grades. If the Department were reorganised, and native Indians employed more largely, it would be possible to place it upon a more economical footing.

It would seem that all Telegraph masters and signallers receive in addition to their substantive pay an allowance in the shape of house rent of Rs 15 and Rs 10 per month respectively when posted to Presidency Towns, and Rs. 10 and Rs. 5 respectively when employed in out stations. But this rule does not apply to natives of India. In other words it is only the European and Eurasian telegraph masters and signallers who are entitled to this privilege. In 1882 the Government of India, in the Public Works Department, issued the orders granting house allowance to all Telegraph masters and signallers with the exception, of course, of such as were provided with quarters. In 1883, orders were issued that native telegraph masters and signallers were not entitled to the allowance. Some native Christian signallers who had adopted the European mode of living prayed for this house allowance, when they received the following letter in reply —

FROM THE DIRECTOR GENERAL OF TELEGRAPHS

TO THE SUPERINTENDENT, CALCUTTA OFFICE,

No 3375T, dated 26th September, 1890

SIMLA

SIR—With reference to your letter No 2596T, dated the 16th of September, 1890, I have the honour to inform you that under the orders of the Government of India Native Signallers, as distinguished from European and Eurasian signallers, are not entitled to house allowance when not provided with quarters. By natives must be understood pure Asiatics, and the details of religion and dress that may be adopted by natives are questions which do not enter into the matter.

2 I am unaware of any special exceptions to this rule that may have been made in former years but if such exceptions exist they afford no grounds for any further additions to them being made.

I have, &c.,

(Signed) C H REYNOLDS,

Director Traffic Branch

The House allowance granted to Telegraph masters and signallers comes up to the sum of Rs 7 661 2 annas a month, or nearly a lakh of rupees a year. The details are given in the following statement —

GOVERNMENT TELEGRAPH DEPARTMENT

House allowance drawn by the Europeans and Eurasian Signallers serving in the following Telegraph Divisions

	Rs	as	p
1 Bellary Division	37	8	0
2 East Coast	35	0	0
3 Madras	919	13	9
4 Bombay	2,485	6	8
5 Nagpur	53	8	0
6 Rajputana	392	1	1
7 Sind and Beluchistan	418	6	4
8 Punjab	416	0	0
9 Kashmere	342	5	8
10 Bengal	280	15	0
11 Arrakan	143	0	0
12 Lower Burmah	374	0	0
13 Upper Burmah	279	0	0
14 Calcutta	1,122	1	6
15 Oudh and Rohilkhund Division	62	0	0
16 Assam and Dacca Divisions	nil		
	<hr/> 7 661	2	0

Because the signallers and the telegraph masters in these two divisions are provided with quarters

1 Number of <i>European</i> and <i>Eurasian</i> telegraph masters	157
(Draw Rs. 15 and 7½ when posted to Presidency towns and mofussil respectively when not provided with quarters)	
2 Number of <i>European</i> and <i>Eurasian</i> signallers	1,145
(Draw Rs. 10 and 5 when posted to Presidency towns and mofussil respectively when not provided with quarters)	
Total	1 302
Number of <i>Native</i> telegraph masters	15
Number of <i>Native</i> signallers	324
Total	339
Grand Total	1,641

If all telegraph masters and signallers were natives, it is very obvious that under the existing rules the whole of this amount would be saved, and the saving would be in proportion to the employment of natives as telegraph masters and signallers. The distinction is invidious, and causes bitterness and ill feeling between persons working in the same department, and to the prejudice of public business.

The all but practical exclusion of Indians from the higher appointments in the Post Office is felt as a grievance. The *Amrita Bazar Patrika*, one of the leading organs of public opinion in Bengal refers to the subject in a leading article in its issue of the 7th April last headed 'European Monopoly of Post Office'. The facts stated are remarkable, and I desire to submit them for the consideration of the Commission. The state of things in 1896 stood as follows —

The Post Office

	European	Native
Chief Officers	23	2
Superintendents	85	35
Sea Postal Officers	5	7
Miscellaneous Officers	18	22
Post Masters	42	23
Total	173	89

Since then there has been no appreciable improvement as will be seen from the following facts mentioned by the *Amrita Bazar Patrika* from an official statement containing the names of chief officers and 1st grade superintendents, corrected up to the 1st May, 1896

The Director General of the Post Office is a European, and he draws Rs 3 000 a month. The Post Masters General of Bengal, Madras, Bombay, Burmah and the Punjab are all Europeans, and their respective salaries per month are 2,000, 1,750, 1,750, 1,500 and 1,400 Rs. The Post Master General of the N W Provinces only is an Indian, Mr K J Badsha, his salary being Rs 1,750. But he is a civilian, and he has access to the highest post in any department under the State. Let it also be borne in mind that the Post Master Generalship of the N W Provinces was reserved especially for an uncovenanted officer of Asiatic race. The Postal authorities, in their evidence before the Service Commission, admitted this fact.

As regards the other chief officers.—The Deputy Director General, pay Rs 1,750, the Inspector General, Railway Mail Service, pay Rs 1 400, Assistant Inspector-General Railway Mail Service, pay Rs 500, three Assistant Directors General, pay Rs 1 000 Rs 700 and Rs 700 respectively, 1st grade Deputy Post Master General, pay Rs 1 400, two 2nd grade Deputy Post Masters General pay Rs 1,000 each, three 3rd grade Deputy Post Masters General, pay Rs 700 each, and one Deputy Post Master General, pay Rs 500, are all whites. There is only one Indian amongst these officers, namely, Mr C J Lalkaka who officiates as Inspector General Railway Mail Service, on Rs 800 a month.

The other chief officers are one Comptroller, pay Rs 1,200, one Deputy Comptroller pay Rs 700, two Assistant Comptrollers, pay Rs 600 and 500 respectively. With the exception of the Deputy Comptroller, Babu Woma Charan Dass, all others are Europeans.

We now come to the lowest class of chief officers namely, Presidency Post Masters. There are three of them namely, Post Master, Bombay, pay Rs 900, Post Master, Calcutta, pay Rs 800, and Post Master, Madras pay Rs 750. Every one of them belongs to the white race.

Next to chief officers are first class Superintendents, pay Rs 400—500 per mensem. We find in the statement before us the names of twenty one such Superintendents. It was expected that at least in this class of officers the Indian element would prevail over the European. For it is essential that these Superintendents should have a thorough and intimate knowledge of the vernaculars of the country to carry on their duties with village Post Masters. But what do we find? Only four are Indians, and the remaining eighteen Europeans.

So, out of 46 Chief Officers and 1st grade Superintendents, there are only six pure Indians, the two Indian Chief Officers being almost in the lowest grade.

Yet the Post Office was one of those departments in respect of which no one who was not a native of India could hold any appointment carrying a salary of Rs 200 a month and upwards without the previous sanction of the Governor General.

With reference to the services I may here observe that the Indian public view with grave disappointment the fact that effect has not been given to the resolution of the House of Commons of the 2nd June 1893 on the question of simultaneous examinations. In the opinion of the educated community in India, Her Majesty's proclamation of the 1st November, 1858, declaring merit and not race as the sole test of qualification, will remain unfulfilled so long as simultaneous examinations in connection with the Indian Civil Services are not held in India as well as in England. This was, indeed the view put forward with special reference to the open Competitive Examinations for the Indian Civil Service by a Committee of the India Office which reported on this matter in 1861. They observed—

“It is obvious, therefore, that when the competitive system was adopted it could not have been intended to exclude natives of India from the Civil Service of India. Practically, however, they are excluded. The law declares them eligible, but the difficulties opposed to a native leaving India and residing in England for a time are so great that as a general rule, it is almost impossible for a native successfully to compete at the periodical examinations held in England. Were this inequality removed we should no longer be exposed to the charge of keeping promise to the ear and breaking it to the hope.

“Two modes have been suggested by which the object in view might be attained. The first is by allotting a certain portion of the total number of appointments declared in each year to be competed for in India by natives, and by all other natural born subjects of Her Majesty resident in India. The second is to hold simultaneously two examinations, one in England and one in India, both being as far as practicable, identical in their nature, and those who compete in both countries being finally

*General Statement
with regard to
the Services*

classified in one list, according to merit, by the Civil Service Commissioners. The Committee have no hesitation in giving the preference to the second scheme, as being the fairest and the most in accordance with the principles of a general competition for a common object."

Numerous petitions have been presented to the House of Commons from all parts of India for effect being given to the resolution of the House. But the resolution remains a dead letter. It may generally be stated that if the great departments were recruited upon the principle that wherever a native of India was qualified for an office he should be appointed to it, and if the pay was adjusted with reference to the local marketable value of the qualifications required, a considerable saving in public expenditure would follow.

The employment of a costly European agency in the administration to a larger extent than what the financial condition of the country justifies has a financial bearing which is not to be overlooked. Exchange Compensation Allowance has been granted to the non domiciled European employees of the Government. In 1893-94 Exchange Compensation Allowance came up to Rs. 624,411, in 1894-95 it rose to Rs. 1,249,591, and in 1895-96 it rose to a still higher figure, viz, Rs. 1,338,163. The Indian Association, of which I am the Secretary, protested against the grant of Exchange Compensation Allowance, and addressed a communication to the Government of India on the subject. The Government admitted that the servants of Government to whom Exchange Compensation Allowance had been granted had no legal claim to it. A member of the Bengal Civil Service, Mr. Lea, refused to draw the allowance, on the ground that he was not legally or morally entitled to it. If Exchange Compensation Allowance had been granted upon the actual remittances sent home for family purposes, no matter whether by Indian or European servants of the Government, one of its most objectionable features would have been withdrawn, though Indian opinion would still have condemned it. As a matter of fact, there are at present in England members belonging to the families of Indian gentlemen in the Civil and Medical Services for whose maintenance and education those gentlemen make regular remittances. They draw no Exchange Compensation Allowance. On the other hand, a large proportion of European gentlemen in the Civil Service, who are unmarried, and have no remittances to make for their families, get Exchange Compensation Allowance. As it is Exchange Compensation Allowance is granted to all non domiciled European servants of the Government, no matter whether they joined the service before or after the depreciation in the value of the Rupee had begun. It is granted to those whose salaries are fixed by statute, and a question has been raised as to whether they are entitled to it, but all the same they continue to draw it. Sometimes it is difficult to explain the principle upon which the allowance is granted. I will give an instance. Mr. Chackerbarty, Deputy Accountant General, Bombay, does not draw any Exchange Compensation Allowance, but his brother, in the Revenue Department of the Bombay Government, gets the allowance. But while Exchange Compensation is thus granted to the highly paid European servants of the Government at an annual charge of over a crore of rupees, the Government is obliged to refuse an addition to the pay of ministerial servants on the Bengal establishment, who draw small salaries, and are exposed to great temptations, although a Commission—appointed to enquire into this matter, and consisting of some distinguished Government servants—recommended so far back as 1886, on the ground of the rise in the price of provisions, that their pay should be increased by 75 per cent. More than a crore of rupees is spent to provide Exchange Compensation while so important a question of domestic reform as the separation of judicial and executive functions in the administration of criminal justice cannot be taken up for the alleged want of funds. Salaries should be fixed according to the importance of the duties to be performed, and the market price of the labour of men competent to discharge those duties. This was practically the recommendation of the Public Service Commission, they say (page 85 of the Report).—"The Commission would adjust the conditions of the Provincial Service by the consideration of the terms which are necessary to secure locally in India the desired qualifications." Formerly this principle was recognised, and the scale of pay was not varied according to the nationality of incumbents. If the same principle is reaffirmed, and the salaries of appointments which on political grounds need not be reserved for Europeans, be fixed, with reference to the plentiful supply of competent Indian labour, a very much lower scale of pay would be sufficient, and if a European were to be appointed to any of these offices he should not get more than the pay so fixed, in the shape of Exchange

*Exchange
Compensation
Allowance*

Compensation Allowance or otherwise. A large saving could be effected in this way. In case of appointments reserved for Europeans on political grounds, or for British interests mainly, it is only right and proper that there should be an apportionment of charge between England and India.

APPORTIONMENT OF CHARGES

With regard to the second part of the reference viz, the apportionment of charges for purposes in which both countries are interested I beg to observe that Indian public opinion supports the view that India should be chargeable with the cost of the native army necessary for the maintenance of internal peace, but that the European army and the European officers in the native army being quite as much necessary for British as for Indian interests the British Exchequer should in justice pay a fair share towards their maintenance. With regard to the North Western Frontier wars much has already been said, and I shall only repeat that as these wars concern the interests of both countries the expenses connected therewith should be equitably adjusted between them. If in this adjustment there should arise differences of opinion as to the proportion to be paid between the two countries some machinery for arbitration should be devised.